

German bargains How to buy into

the Mittelstand Page 12



Akzo and Nobel A good fit, but what

took so long?



INANCIAL TIMES Europe's Business Newspaper

EC blames US for delay on world trade negotiations

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PACK Store:

Matinnk.

A united European Community has rounded on the US for holding up progress in the Uruguay Round world trade negotiations. Foreign ministers of the 12 backed a toughly worded statement from EC chief trade negotiator Sir Leon Brittan which described US and Japanese failure to match the Community's offer on market access and cutting industrial tariffs as the barrier to conclud-ing the Round by its December 15 deadline. Page 18

Press row over Diana pictures: The future of self-regulation of the press in the UK was in doubt last night after the three national titles of Mirror Group Newspapers pulled out of the Press Complaints Commission amid a growing row over photos of the Princess of Wales taken covertly at a west London fitness club. Page 9

China may soften HK line: China has indicated a willingness to agree to some of Hong Kong governor Chris Patten's plans for the colony's political development, but London and Beiling remain far apart on his democracy proposals. Page 18: Beijing to back sweeping reforms, Page 5

Ferruzzi to sue Price Waterhouse: The new management of Ferruzzi Finanziaria, the ltalian industrial group with borrowings of more than L28,000bn (\$17.6bn), plans legal action against Price Waterhouse, the international accounting group which audited its books. Page 19

Merck takeover go-ahead: US anti-trust authorities cleared the \$6bn takeover by Merck. the US's largest drugs group, of Medco Containment Services, its biggest drugs distributor. Page 19



President-elect of the European Monetary Institute Alexandre Lamfalussy (left) has promised to be a strong critic of "unbalanced" economic policies which threaten European monetary union. In written answers to memoers of the European Partiament, Mr Lamfahrssy also said he was not sure a return to the old European

exchange rate mechanism was "a realistic objecthe course of the state of the state of the Anglo-Irish peace initiative on Northern Reland was under strain after fundamental difference rged between London and Dublin on the timing

of an IRA ceasefire. Page 9 Croat warning on Vitez attack: Moslem forces fired two shells on a Croat held munitions factory in Vitez, central Bosnia, as Croat officials warned the attacks could prompt "a catastrophe".

Barclays, the biggest UK bank, is to move control of large corporate lending in Europe to its BZW investment bank and curtail some lower margin syndicated loans in an effort to raise future earnings. Page 19

EC jobs outlook gloomy: Business confidence in the European Community has picked up, but nearly half of companies are expecting to cut their labour forces during the next 12 months. Page 4: UK net lending highest for 31/2 years,

BA presses for super jumbo; British Airways is pressing commercial aircraft manufacturers, including Boeing of the US and European Airbus partners, to develop a 600-seat aircraft for delivery around the turn of the century. Page 8: Cuts help Lufthansa out of red. Page 20

Rome banker's arrest ordered: Italian magistrates have ordered the arrest on corruption charges of Oliviero Prunas, vice-chairman of Banca di Roma SpA, judicial sources said.

African wins UN post: Jacques Diouf of Senegal was elected director-general of the United Nations Food and Agriculture Organisation, the first African to head the FAO in its 48-year history.

\$60m art theft at Swedish museum: Important paintings and sculptures by Picasso and Braque, valued at more than \$60m, were stolen from the Museum of Modern Art in Stockbolm in Sweden's biggest art theft. Page 3

Bluefin tuna 'near extinction': The bluefin tuna, one of the world's largest fish, is on the brink of extinction in the western Atlantic as prices for the delicacy soar in Japan, where restaurants can charge up to \$350 per lb.

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Cost savings of relocation lure German companies

By Ariane Genillard in Sonn

ONE IN three German companies intends to transfer part of its pro-duction outside the country in the next three years, compared with one in four that planned to do so in the past three years, according to a survey conducted by the German chamber of trade and industry, the DIHT.

The survey, which polled 10,000 large and medium-sized companies in western Germany, says the favourite relocation site is eastern Europe, followed by Asia.

The European Community, which swallows the bulk of Ger-man investment abroad, is gradually diminishing as a favoured manufacturing base, it notes. DIHT regularly polls its mem-ber companies, but this is the

first time it has done so on the subject of relocation. One in four said it had planned partially to move production sites abroad in the last three years. Those that did so created an estimated 210,000 jobs. The sharpest rise in planned

relocations is among manufactur-

ers, with 36 per cent now saying they will partly move abroad in the next three years. In the last three years, 28 per cent of them planned to do so.

Companies cite high domestic labour costs as the primary rea-son for plans to move production abroad. They also point to shorter working weeks and machine-running times as factors hindering domestic productivity. Companies also blame strict

environmental legislation, saying it is forcing them to invest in non-productive assets in Ger-

many. They also say the long wait for permission to build new plants or conduct certain types of research are pushing them beyond their national borders.

Eastern Europe is named by nearly all as a favourite region to develop new manufacturing bases. They say the region combines a skilled labour force with low wages. Poland, the Czech and Slovak republics and Hungary have average hourly wages of DM5 to DM7, compared with

DM42 in Germany. "German companies have to

reduce total costs by 20 to 30 percent to remain competitive in global markets. Eastern Europe, which is on their doorstep, offers them a chance to do this," says Mr Siegfried Utzig, senior economist at the German industry federation, the BDI.

The opening up of the former communist bloc is also offering new opportunities for the Mittelstand. Germany's small and medium-sized enterprises.

"Large German companies have always moved production sites abroad as part of their growth strategies. But what we see now is smaller companies going abroad. This contributes to the growing unemployment in Germany," says Mr Michael Fuchs, head of the German asso-

ciation of exporters, BGA.
In Baden-Württemberg, the southern state with the highest number of medium-sized enterprises, 40 per cent of the companies said they planned to move some of their production abroad in the next three years.

Time to buy German, Page 12

Combined group to have revenues of \$10.5bn and 75,000 employees

Akzo to buy control of Nobel in \$2bn deal

By Christopher Brown-Humes in Stockholm and David Brown

AKZO and Nobel Industries, two leading European specialty chemicals groups, yesterday announced a deal under which Akzo will pay SKr16.6bn (\$2bn) to take control of Nobel, creating the world's biggest paints group. Akzo of the betherlands is making an agreed all-share offer for Nobel, values the Swedish company at SKr29.6 per share, 35 per cent above the SKr22 level at

which its shares were suspended last week. The combined group, Akzo Nobel, will have revenues of more than Fl 20bn (\$10.5bn) and

about 75,000 employees. It will be bigger than imperial Chemical Industries of the UK in the world coatings market, and almost twice its size in Europe. It will also be the world's second higgest bulb and paper chemicals producer, and will have a leading global position in niche areas such as evaporated salt.

operations complement each

The two groups say their

other industrially and geographically, enabling them to boost market share and profitability against a background of significant restructuring in the world chemicals market.

"Our strategy is not to have a lot of products for a limited number of markets, but rather to limit our products and aim for a strong regional or global market position," said Akzo chairman Mr . Aarnout Loudon. The deal is a neat solution for

the Swedish state, which owns 72.9 per cent of Nobel through Securum, a "had bank" set up in 1991 by the government to help alleviate debt problems following unsuccessful diversification. It enables Securum to sell Nobel as a package for a SKr5.4bn capital gain, while offloading much of the group's debt on to Akzo. It will gain a 20 per cent stake in Akzo Nobel, making it the largest single shareholder.

Nobel's interests in Spectra Physics, its electrical-optical instruments operations, biotechnology and the Swedish defence group Celsius are not included in the merger, and will be acquired



Akzo chairman Aarnout Loudon: aiming for a global market position

by Securum for SKr5.3bn, includ- Fl 180m, are expected to enhance

ing debt. Akzo is offering two new shares for every 57 Nobel A or B shares, and a cash alternative worth SKr26.5 a share. It has also agreed to take over the group's preference stock for cash and shares. The Dutch group plans to raise Fl 1.3bn through an institutional placement to fund the cash parts of the deal.

Akzo said the merger would dilute earnings by less than 10 per cent in the first year. Synergy benefits, which one analyst said had been quantified at

earnings thereafter. Akzo shares closed at Fl 186.5. down from Fl 197.2 on Friday. Some analysts in Amsterdam said Akzo was paying a high premium, particularly in light of Nobel's heavy financial gearing, but others noted the fall in Akzo shares followed the stock's all time high last week, after the announcement of strong third-

quarter results.

Lex. Page 18 When one plus one makes more than two. Page 19

Japanese oil refiners scrap \$9bn Saudi deal

By Emiko Terazono in Tokyo and Mark Nicholson in Cairo

JAPAN'S three leading oil refiners announced yesterday the cancellation of a Y1,000bn (\$9.24bn) joint venture with Saudi

Arabia. Nippon Oil, Nikko Kyodo and Arabian Oil said they were pulling out of a proposed oil refining project with Aramco, the Saudi state owned oil company, and Caltex Petroleum of the US because of a sharp fall in demand triggered by Japan's economic

The decision is a blow to the Japanese government, which had hoped to establish a stable oil procurement route through the

Mr Hideaki Kumano, vice minister of international trade and industry, said the government regretted the cancellation.

Saudi officials in Riyadh had no immediate comment on the cancellation of the proposed venture, feasibility studies for which began last year.

it had been planned as part of the joint venture for two existing oil refineries to be bought from Nikko Kyodo and Nippon Oil and for a new refinery to be built in southern Japan, but the Japanese refiners decided they could not afford to build a plant which was expected to become profitable only after 12 to 14 years.

Japanese oil refiners and distributors have been hit by the economic downturn, and Nikko Kyodo faces Y90bn in extraordi-

nary losses caused by the liquidation of its US affiliate. The loss of expected income from the sale of the oil refineries to the joint venture may force the two Japanese companies to implement cost-cutting measures.

The Japanese joint venture was expected to cement Saudi Aram-co's Asian presence. It is understood the company has not abandoned plans to expand its downstream operations in Asia and is exploring possible alterna-

tive joint ventures in the region. The Saudi state oil group, which recently merged with the state refining and marketing arm, Samarec, is understood to have begun negotiations with other potential partners in Asia. No details have been made public, but the search for alternative deals would fit in with Aramco's long standing plans to guarantee market access for its crude oil

through participatory ventures. Saudi Aramço's moves to bind supplies of crude to joint venture refineries in its main markets began with the 1988 deal to supply about 600,000 barrels a day of Saudi crude to Star Enterprises, a 50-50 refining and marketing venture with Texaco, the US oil com-

Three years later Aramco bought a 35 per cent stake in Ssangyong Oil of South Korea, the country's third biggest refiner. It has explored a similar deal in Europe, although Saudi officials have refused to confirm any specific approaches to Euro-

last week was put on hold yesterday, as dealers awaited the next set of important US economic data today, but however the underlying tone remained ner-

US Treasury bonds again appeared weak yesterday, but most other bond and stock market prices were little changed, prompting speculation that US market domination over economic fundamentals in other markets may be weakening.

Dealers remained concerned, however, that today's US producer prices data for October could trigger a further sell-off. Last week, signs of an acceleration of economic growth in the US prompted a bout of profittaking in the US and European bond markets, as the end of a record year for many investors approaches. The bond market weakness also fed through into

The US long bond lost further ground yesterday morning but the US stock market shrugged off the downward trend in bond prices, as cyclical stocks helped push indices modestly higher. By midday, the benchmark 30-

total to 12. Mr Yegor Gaidar, the first dep

uty economics minister, has ning to open for business.

Citibank, Chase Manbattan and ABN-Amro, and two Russo-Turkish joint venture banks have all received licences to operate. The licences from the central bank allow them to open accounts for Russians and foreigners in both oubles and hard currency

Mr Steven Fullenkamp, vice-president of Chase Manhattan in Moscow, said last night: "I was surprised that the central bank licensed five all together. I believe there will now be a pause, for perhaps as long as a year, while the central bank sees how the foreign banks perform on the Russian market." Of the

Continued on Page 18

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Slide in markets on hold as dealers await US figures

By Tracy Corrigan in London and Frank McGurty in New York

THE SLIDE in financial markets

the world's stock markets.

% at 100 t, yielding 6.23 per cent. The short end of the market, however, was moving ahead, with the two-year note up i at 99%, to 4.14 per cent. At 1pm, the Dow Jones Industrial Average was 8.66 higher at 3.652.09.

Attention was largely directed at today's report on wholesale prices and tomorrow's data on retail prices. Both sets of data are expected to reinforce fears that inflationary pressures in the US economy are building. European bond markets were mostly little changed, though the

UK gilts market managed a 4 point rally, on the back of encouraging inflation data. The FT-SE 100 index ended 8 points down at 3.077.6, while Germany's Dax index fell 1.75 points

to 2,010.8 and France's CAC-40 index rose 3.78 points to 2,084.79. Stock market analysts fear that a reassessment of investment strategies by US fund managers could cause a reversal of the heavy flow of funds into the European stock market this year. Trading was light, as many investors and traders chose to stay on the sidelines until a clear direction has been established.

lost Cap Mass

Foreign banks face limit in Russia

By John Lloyd in Moscow

RUSSIA is considering curbs on the expansion of foreign banks into its market after granting operating licences to a further five outside banks, bringing the

warned of "further regulation" of the activities of the foreign banks, which are only just begin-In a decision taken two weeks ago and confirmed in the last few days, three foreign banks,

World stocks, Page 38 London stocks, Page 31 CONTENTS

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© THE FINANCIAL TIMES LIMITED 1993 No 32,213 Week No 45 LONDON . PARIS . FRANKFURT . NEW YORK . TOKYO

Franco-German plan to end Bosnian war

By Lionel Barber in Brussels

FRANCE and Germany yesterday launched a fresh diplomatic initiative to end the civil war in Bosnia with a plan to gradually lift sanctions against Serbia in return for extra land for Bosnian Mos-

The Franco-German plan marks the first evidence of a and not by using force". shift in European tactics away from total isolation of Serbia and more toward incentives for President Slobodan Milosevic of Serbia to end the war.

of European foreign ministers who remained torn between the need to take action to head off a humanitarian disaster, and the danger of becoming embroiled in the civil war, Mr Douglas Hurd, the British

foreign secretary, said it was important to keep as many aid routes open as possible, but "not by rocketing aid through, Britain has around 3,000 troops in Bosnia second in

number only to France. Though Mr Hurd predicted that more United Nations The proposal was given a forces could be sent in the guarded reception at a meeting coming months, Britain would

Croat-held munitions factory in Vitez, central Bosnia, as Croat officials warned the attacks could prompt "a catastrophe", writes Laura Sil-

Faced with a string of Moslem victories, the Croat authorities said the latest Moslem offen-sive would cause "a horrific explosion and an unprecedented catastrophe for the wider area of

Bosnia-Hercegovina". headquarters of British United Nations soldiers, one year.

At Mr Hurd's suggestion, ministers agreed to consider

Western European Union on November 22 in Luxembourg. British officials said senior mil-

Moslem forces yesterday fired two shells on a and follows the fall last week of Yares, 25 miles to the east, to the Moslem government's

> The Croatian Defence Council (HVO), the Bosnian Croat army, admitted in a statement it had joined forces with the Bosnian Serbs, their former enemies, to surround the Nordic UN battalion near Vares on Sunday.

In Sarajevo, UN soldiers yesterday escorted the first of 1,500 Serbs, Croats and Moslems to It was said to be the first direct hit be evacuated from the besieged Bosnian capital on the vital munitions factory in Vitez, the as part of an agreement postponed for nearly

stick to its present contingent, the plan at a meeting of the itary experts would be present. "We think this is a good context to discuss the real issues and difficulties," said one. ciál.

ters news agency, suggested the creation of UN-protected "aid corridors" and the reopening of the vital sirport of Tuzia to fly in relief this winter.

Kinkel, his German opposite number. It also proposes that Serbs should cede a further 8 per cent of territory they control in Bosnia, which the Moslems have been claiming and which led to the collapse of the most recent peace plan. In

A copy of the France-Germunity should offer Belgrade man letter, obtained by Reuthe promise that UN sanctions would be lifted gradually.

Mr Hurd said it was not

unreasonable to set out to President Milosevic the conditions under which sanctions The letter was signed by Mr might be relaxed, but he added:
Alain Juppe, the French for—"It is for the [UN] Security
eign minister, and Mr Klaus Council, not us, to decide on might be relaxed, but he added: compliance bringing about a

lifting of sanctions," he added. The letter also calls for a new conference on the former Yugoslavia to be held in maintain the supply of human-

approach to end the war and

Geneva as part of a twin-track

De Larosière hopes to put the problem bank back on an even keel

De Larosière: hingt appouncement

A RADICAL reorganisation of the European Bank for Recon-struction and Development (EBRD), the aid bank for east-ern Europe and the former Soviet Union, was yesterday approved by its board of

By Robert Peston

After the board meeting, the RBRD's new president, Mr Jacques de Larosière, announced the changes with a bluntness he made famous from his spells running the International Monetary Fund and more latterly the Banque de

"I could not go on one week more with the problems we had," he said.

These problems were spelled out by Mr de Larosière in a document he prepared for the board of directors, who represent the countries and agencies which own the bank: "It has been stated that the current organisation leads to confusion

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among our clients and inter-ested business partners. "It is perceived as being

bureaucratic, leading to conflicting approaches, procedural delays and lacking focus in terms of operations and country needs," the document said.

However, in his first press briefing since arriving at the bank on October 4, Mr de Larosière stressed: "I think the calibre of the staff is exemplary."

The most important changes are the abolition of the two

EBRD board approves reforms main operational departments, for development banking and merchant banking respectively.

Development banking was responsible for financing infrastructure projects in eastern Europe and the former Soviet Union, while merchant banking was in charge of encouraging privatisation.

Their functions are being absorbed by two new "banking" departments, one covering southern-based countries and the other for the more northerly countries.

Most of the southern economies are less developed and will therefore require greater investment in their infrastruc-

In the short term, the EBRD is more hopeful of encouraging the growth of the private sec-

tor in the northern economies. "I think this reorganisation addresses the concern that the bank had insufficient country focus," Mr de Larosière said. However, he insisted that there would be no retreat from the EBRD's aim of encouraging the private sector, despite the abolition of the merchant banking division, which was a unique department among the international aid banks in working exclusively on privatisation

The bank is not abolishing its sectoral specialist teams altogether

"We could have followed the World Bank model and had only country specialists," he said. Instead, each department will contain teams specialising on individual countries and other teams concentrating on sectors which cross geographi-

cal boundaries. Some of these sectoral teams. covering agribusiness, power and energy, transport and privatisation, will be directly attached to the two banking departments.

However separate reams, covering natural resources, inancial institutions, nuclear safety, telecommunications and tourism, will be part of a new operations support group which will feed in to both

banking departments.

What this means is that the elimination of duplicated functions has freed some staff for redeployment, while others will be made redundant

These moves will help him in his aim of preparing a "lean budget for 1994". He said: "The first thing I did on arrival here to was institute a hiring

Subsequently he has asked each head of department to ensure that their groups are "as lean and effective as

Mr de Larosière's contribu

tion to this process has been to eliminate the presidential cabinet and the political department, both much favoured by his predecessor, Mr Jacques Attali, who resigned in the summer after widespread criticism of the bank's extravagance and poor management. In total, there will be fewer than 50 redundancies at the bank, possibly as few as 25, though the process of identify ing jobs to eliminate has not finished.

Union binds EC in all but name

By David Gardner in Brussels

TT'S official. The Council of Ministers of the European Community (EC) reconstituted itself yesterday as the Council of the European Union (EU). But the 12 foreign ministers who took the decision each had two hats - BC and EU and not all of them were wearing the same one at the moment they appeared to have made up their minds.

Confusion about what the EC should call itself after the entry into force this mouth of the treaty on European Union signed at Maastricht in February 1992 will continue a good while yet, sowed in almost equal amounts by Euro-federalists (EU) and sticklers for national prerogatives who pre-fer loose, inter-governmental

co-operation (EC - or less). Yesterday the 12 foreign ministers agreed that the Council of Ministers - which decides EC policy, usually on the basis of proposals from the European Commission should henceforth be a Union

The Commission of the European Communities - the quasi-executive of the EC - will henceforth be known as the European Commission, quite helpfully really because that

was what everybody knew it as anyway. The Council will become Union-ist, "notably," the decision said, "within the framework of titles V and VI of the TUE" - to use the French acronym for the Treaty of European Union (which give or take an accent, is rather like

the French word for "dead"). Titles five and six of Maastricht cover the common foreign and security policy, and co-operation on justice and home affairs, both areas for inter-governmental co-opera-tion outside the normal framework of Community business, to keep them safe from Brus-

The problem is that both kinds of business are conducted by the same people, at the same time, sitting around the same table, and invariably with the Commission present; hence the need to bring at least two hats, and the fastidiousness among some about the dress code.

Thus the UK, which prides itself on the succintness of its insertions into EC/EU policy, yesterday more than doubled the verbosity of the "Union

decision". It said: "This change does not in any way alter the cur-rent legal position that the European Union does not enjoy any international lega personality. Nor does it affect the designation of the Parties to any international instrument having legal effects. which will be a matter to be

decided case by case." In the UK case, part of the objection to "Union" has to do with the cost of changing everything from the headed notepaper to the brass plaques for its EC/KU delegations, one British official intimated. Few other delegations in Brussels seem in a desperate hurry to

make the change either. The current Belgian presidency of the Union/Commu-nity is a clear exception. Even invitations to the summit last week - held before the entry into force of Maastricht - convened member states to a Council of the European

At the same meeting of for-eign ministers in the Union-ist capital, devoted yesterday principally to the Uruguay Round trade negotiations, Sir Leon Brittan, Europe's chief trade negotiator, decided to fudge the theological question of the moment.

"I think I will just dispense with all [Euro] titles and give ember who I am."

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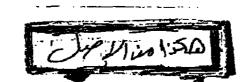
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French workshare scheme progresses

By David Buchan in Paris

THE French Senate yesterday approved a conditional form of state aid to reward companies which agree to cut the working hours of existing employees in order to reduce the country's lengthening dole queues.

The Senate amendment to a new five-year employment bill must return to the national assembly, which rebuffed a not dissimilar plan last month Since then, however, the goverument has swung behind the workshare scheme, making full parliamentary approval likely.

to unemployment is increasingly in vogue, both in the EC Commission where it is expec-ted to figure in the white paper on jobs, and in France, where unemployment reached 11.8 per cent in September and is forecast to hit 12 per cent by the year's end.

Support has been growing among centrist French politicians for a fairer share-out of work than the present division, in which the 11.8 per cent of the potential workforce has no work at all while the remain. work at all, while the remaining 91.2 per cent are nominally

fully employed for 39 hours a

Balladur takes partners for chairmen's waltz

John Ridding reports on the big reshuffle at the top of France's public sector financial companies

T IS described in France as acterised the change of power the waltz of the chairmen. The latest steps, which are due to be completed tomorrow, involve a sweeping reshuffle at the top of French public sector

financial companies.

Mr Jacques Friedmann, a close associate of the prime minister, Mr Edouard Balladur, will take over as chairman of Union des Assurances de Paris, one of France's most powerful institutional investors. Mr Jean Peyrelevade, the current head of UAP, is to move to loss-making Crédit Lyonnais, displacing Mr Jean-Yves Haberer who moves to Crédit National, a small private sector

When the music stops, the country's largest insurance group and one of the largest banks will have new chairmen to guide them through privatisation.

1.0

Mr Balladur will be left with a stronger grip on the pillars of the French economic establishment. In August he installed Mr Philippe Jaffre as head of Elf Aquitaine, the oil group and France's largest industrial

In May he chose Mr. Michel Pébereau, another trusted asso-ciate as head of Banque Nationale de Paris, France's third biggest bank. Mr Friedmann's move would place a Balladur the centre-right government appointee into a third key post. and the Socialist head of state. Mr Balladur's resbuffle is as much pragmatic as politically motivated. "He has taken a

tighter hold of the top of French business and finance," says one Paris-based merchant banker. "But he has done it with a velvet glove." Nonetheless, the grip will

leave an imprint on the management at the top of French finance and industry and forms a central element of the government's plan to privatise 21 publicly-owned groups.

Mr Balladur's smooth group for sale, with an expec-controach marks a contrast to ted target date of next year. By approach marks a contrast to the "witch hunts" which char-

By Christopher Bobinski

POLAND is set on maintaining

good relations with the inter-

national Monetary Fund with a view to achieving further reductions in its \$47.2bn for-

eign debt, Mr Waldemar Paw-

lak the head of the new cen-

tre-left government, said

yesterday.

11.50

between Socialist and conservative governments in the

approach to changing the heads of public sector groups, leaving Socialist appointees at the head of many companies, and even appointing Socialist business leaders to new posts. The latest round provides a case in point.

Mr Jean Peyrelevade has been entrusted with the task of preparing Crédit Lyonnais for privatisation, despite the Socialist credentials he earned as adviser to the government of Mr Pierre Mauroy in the early 1980s. The respect he earned as head of the Suez group and at UAP encouraged a pragmatic approach by Mr. Balladur.

A t Air France, presently the most troublesome of France's public sector groups, the government appointed Mr Christian Blanc, a close associate of Mr Michel Rocard, the leader of the Socialist party.

Attractive posts for outgoing sary to avoid conflict with however, is going to be the President François Mitterrand management of their own and to prevent upsetting the peaceful co-habitation between But if the chairmen's waltz has been relatively smooth, the

be in the private sector, along

1970s and early 1980s. He has taken a gradual

implications are profound. In addition to the domino effect of the changes, the appointments at UAP, BNP and Elf-Aquitaine will leave an enduring stamp on these groups after privatisation. Along with Mr Jaffre and Mr Pébereau, also close to Mr Bal-ladur, Mr Friedmann will play a central role in the govern-ment's privatisation plans. He will prepare the insurance

then, Elf-Aquitaine should also

this year's target of 5 per cent

of GDP. Mr Pawlak said poli-cies would aim "at reducing

The coalition government,

elected on September 19 and formed out of the post-commu-

nist Left Democratic Alliance (SLD) and Mr Pawlak's Polish Peasant party (PSL), needs the

IMF's approval for a 20 per cent reduction in the \$30.6bn

Polish PM in economic

policy promise to IMF

inflation".

His statement to parliament debt owed to the Paris Club of

commits the government to following stringent monetary policies acceptable to the IMF, which is unlikely to agree to any appreciable increase in next year's budget deficit over

Pree-market liberals in the government's parliamentary majority oppose worksharing as merely adding to business

The plan would reduce welfare charges for companies which reduce working hours by at least 15 per cent, and hire at least 10 per cent more workers. The companies would pay 40 per cent less in welfare charges for new employees in the first year of the scheme, and 30 per cent less in the sec-

with BNP which was sold last

month under Mr Pébereau's

As chairmen of private groups, the three will enjoy

"Unlike the public sector

where mandates are just for

three years, it is very hard to remove chairmen of private

companies in France," says

that he has trusted men in key posts for a long time."

"Mr Balladur is ensuring

In addition to removing their

own groups from the public

sector, the new chairmen are

likely to provide an important

part of a system of cross-share-

holdings in privatised groups.

Elf-Aquitaine bought just over 2 per cent of BNP when it was

privatised and forms part of

the bank's bloc of stable,

the principal institutional

investors in forthcoming priva-

tisations, helping to compen-

sate for the lack of powerful pension funds to help absorb

the sale of shares in public sec-

tor groups. The main challenge for Mr Balladur's appointees.

groups. Mr Friedmann has not

previously worked in an insur-

ance company, although Mr Didier Pfeiffer, his respected

deputy, is expected to ensure a

smooth transition. Mr Jaffré at

Elf, has not previously worked

in industry.
It is the Socialists, however,

who face the more daunting

task. Mr Peyrelevade must try

to redress the situation at

Crédit Lyonnais, which suf-fered losses of FFr1.85bn

(£210m) in 1992 and which is

exposed to problem loans in

property and industrial invest-

In stepping into Mr Haber-

er's shoes he may feel he drew

the trickiest hand in Mr Balla-

IMF. The commitment led Mr

Pawlak yesterday to amnounce a markedly lower-than-expec-

ted pensions increase next

year, in spite of previous demands from the govern-

ment's own trade union sup-

At the same time Mr Pawlak told the western banks grouped in the London Club,

who are owed \$12.3bn by

Poland, that the new govern-

ment would continue, like its

predecessors, to look for a reduction "comparable" to the

This is being resisted by the

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Paris Club agreement.

porters for rises.

dur's reshuffle.

UAP is expected to be one of

long-term investors.

chairmanship.

stability of tenure.

one French banker.

Ukrainians over the past year. These included: closing the Kiev currency auction, even if it is illegal. Unlike Russia,

Ukraine fears economic collapse

THE Ukrainian parliament meets today to discuss an electoral law to allow shutting down money exchange early parliamentary elections next bureaux throughout the country; March, in the wake of a series of dracopermitting currency exchange transactions only for government-authorised However, the real issue of debate, imports and exports at fixed central and the impetus behind the new elec-

hank exchange rate; setting wholesale and retail price controls. Prices are to rise with energy cost increases only. Profits are strictly limited:

re-instituting the state order system, which requires most enterprises to sell a portion of their production to the state at fixed prices.

But, in defiance of the president's decrees, the kiev currency auction took place every day last week. Businessmen and currency traders have privately vowed to continue their work

which determines the market rate for the Ukrainian currency, the karbova-market reforms. There is no large-scale privatisation programme. With the lack of market incentives, widespread industrial shortages and severed trading links, GDP is falling at about 20 per cent annually.

Nor has Ukraine begun to practise budgetary or fiscal discipline. Unable to establish priorities. Ukraine's government of Soviet-style industrialists continues to subsidise ailing industries and welfare programmes. The budget

and welfare programmes. The budget deficit, about 40 per cent of GDP, is financed by the printing presses. As a sign of the increasing concern felt by the government, Mr Viktor Pynzenyk, former deputy prime minister and a markable connection candidate in the a probable opposition candidate in the forthcoming elections, recently warned that "inflation and the production downfall have reached such catastrophic proportions that economic col-

immediate future".

The latest flurry of decrees is an extension of the government's blundering policies,

In essence, Mr Kravchuk is attempting to decree away inflation and production slumps while continuing his policy of subsidies. As Mr Viktor Suslov, adviser to the government, commented: "No currency regulation will slow down the national currency's

Mr Anatoly Barluk, head of the finance ministry's currency regulation department, denounced the president's decrees and said they "will lead to the total collapse of the economy. He (Mr Kravchuk) is thinking of elections. It's more about politics than economics. But I don't think this will save him. It will lead to either full barterisation. capital flight or paralysis of exports."

Sweden suffers \$60m art theft

By Jill Barshay in Kiev

nian presidential decrees.

tions, is the economic crisis. Ukraine is

reeling under hyper-inflation of more

than 100 per cent a month and a worth-

less currency. Fearing monetary col-

lapse and potential social unrest, the Ukrainian president, Mr Leonid Kray-

chuk, signed a series of decrees last week to establish authoritarian con-

trol, throwing the economy back into

the communist era and overturning the

few new economic freedoms granted to

By Antony Thorncroft

IMPORTANT paintings and sculptures by Picasso and Braque were stolen from the Museum of Modern Art in Stockholm on Sunday night in Sweden's biggest art theft. The museum's curator, Mr Biorn Springfeldt, valued the works at more than \$60m but they are so well known that they could never appear again on the open market. The thieves climbed through

a hole in the roof, without setting off security alarms. The eight works taken were the most important in the museum, and included versions of some of Picasso's greatest images, including "La Source" of 1921, and "La Demoiselle" (1929). A bronze sculp-ture of 1941, "Femme Boisgeloup", was also stolen. The two paintings by Braque were "Le Chateau de La Roche-Guyon" of 1909 and "La Nappe Blanche", painted in 1928. The fact that the thieves con-

centrated on works by the two great masters of 20th century art suggests that they were



Bjorn Springfeldt, curator of the Museum of Modern Art in Stockholm, holding postcards yesterday of two paintings by Picasso which were among eight important works stolen

working under contract. Most art thieves operate on the hope of receiving a reward for the return of the paintings, or for the insurance money. There is little potential in speculative

yesterday: "All serious collec- in Japan. Old Master paintings,

But there are stolen works of art which never reappear and which are believed to end up in thefts. As Mr Springfeldt said rogue collections, particularly

tors know these works belong including a Vermeer, were taken in 1990 from the Isabella Stewart Gardner Museum in Boston in the greatest art theft of recent years. They have never resurfaced.

Bulgarian minister warns on economy

BULGARIA'S economy could tip towards hyper-inflation unless the government makes urgent spending cuts and introduces structural reform, a key minister was quoted as saying yesterday, Reuter

The finance minister, Mr Stoyan Alexandrov, issued a warning to his fellow politicians after data showed that the budget deficit had exceeded its annual limit two months before the end of the year. "If we do not take real measures in the real economy the worst could happen," Mr Alexandrov told the weekly newspaper, 168 Hours. He was expected to repeat the message in a report to the cabinet, proposing wage and recruitment freezes in the state sector and strict social spending limits to hold down inflation.

"The reality is alarming and the prospects even more so. The tragedy is that we do not have any money," Mr Alexandrov told the paper. "We are on the verge of hyper-inflation and that could come even in the next few weeks."

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INVESTING IN SOUTH AFRICA

Economic activity will improve gradually in 1994

Dr Chris Stals. Governor of the South African Reserve Bank, talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: How will the lifting of sanctions alter the Reserve Bank's monetary policy?

Stals: It is obviously a positive development, though I must warn against expectations of an economic miracle following the improvement in global sentiment towards South Africa. Concrete results, such as an improvement in our foreign reserves and a lowering of interest rates, won't come overnight. Although the Reserve Bank might relax its restrictionist monetary policy a little more it needs to be restrictionist monetary policy a little more, it needs to be appreciated that it is markets that determine interest rates and

not the reserve sant.

Essentially the objectives of monetary policy will remain largely unchanged — to keep the real exchange rate of the rand as stable as possible and continue the fight against One of our main priorities is to build up the level of our

foreign exchange reserves. Currently at one-and-half months of imports, the reserves should, ideally, be sufficient to cover aths of imports.

The lifting of sanctions doesn't necessarily mean that South Africa will receive a meaningful capital inflow. At the same time, however, a very important hurdle has been removed and this can have an important psychological effect.
Yet the bottom line is that we cannot change monetary policy on the basis of statements made. Policy will be tailored by the deeds that flow from these statements.

Spira: The way now seems to be open for World Bank and African political front perhaps the only obstacle. What is the current position?

Stals: South Africa faces a difficult situation over the next six months, with changes in the constitutional structure and the

relection campaign.

The LMF and the World Bank have long indicated that they want political consensus from South Africa before they are prepared to approve loans. The problem has been in defining political consensus and how to convey this in a legal it has eventually been decided that the approval of the

Transitional Executive Committee (TEC) will be sufficient evidence of political consensus. I sincerely hope that the TEC will soon be established and that it will be able to endorse South Africa's funding applications.

To wait for a new government would take too long, because we need to finalise the situation before the end of the year.

This is because the compensatory contingency financing facility is provided by the IMF on the basis of a predetermined formula. which says the country must have experienced a negative effect

which says the country must have experienced a negative effect on its balance of payments relating to an external factor over which it has no coursed—in this case the drought. The Fund's rules are very clear that this relates to the 12 months preceding the application. If we don't finalise our application before December 31, the base period will shift forward by six months and we shall be dealing with the calendar year 1993—which means that we shall be entitled to less than \$850 million because the impact of the docusted on our belance of returning the will have been less than \$850 million because the impact of the drought on our balance of payments will have been less

Spira: Much specualtion has been directed toward the acrapping of South Africa's dual currency system. When will the controversial financial rand be scrapped?

Stals: The financial rand will remain as long as the domestic political and social instability in South Africa continues. An early end to the dual-currency system is not in the offing. However, the lifting of sanctions and the new interest shown by foreign investors in the country should accelerate the abolition of the system. We are aware that to attract new investments. South Africa

must present a competitive, efficient and well-managed domestic economy to the world.

In the longer run, we must get rid of the hassle of the two-lier In the longer run, we must get rid of the nassie of the rwn-ner eachange rate system now in furce.

But in the meantime, the system provides a compromise between the need to protect foreign reserves, the pressure from non-residents to withdraw their investments and the longer

term needs of an expanding economy for more foreign

The financial rand has been forced on South Africa by extraneous circumstances - the need to protect reserves against distributional product reserves against distribution and against distribution and against distribution market indications with care. Movements in the financial rand exchange rate, especially the discount between the financial rand and commercial rand, provide an early indication of underlying trends in the money market. In recent weeks, this discount declineed from almost

25 percent to 20 percent.

The extent of the financial rand balances with the commercial banks is also an important determinant of when the financial rand is likely to be abolished. Those balances are currently wn on what they have been, but they need to come

down numer.

A continuing rise in the demand from foreigners for financial rands to fund new investments would reduce the discount But a merging of the two exhange rates would not necessarily signal that the time is right to abolish the financial rand. We'd have to be confident that the equilibrium reached was

ustainable for a reasonable period of time before abolishing

Spira: Is the South African economy beginning to emerge from its four- and-a-half year reression?

economic indicators - real retail sales, the physical volume of mining and manufacturing production and new car sales. -have begun to show encouraging signs of recovery.
It's a trend that has been supported by a dramatic recovery in agriculture, a higher gold price and a considerably more stable financial environment — in particular, lower inflation.

Stals: During the past few months, several short term

Yet these indicatos do not as yet mean that the economy is moving upward, since there are no convincing signs of any meaningful improvement in non-agricultural economic Indeed, the exceptionally strong 5.4 percent seasonally-

adjusted annual growth rate of this year's second quarter can be ascribed almost entirely to agriculture and mining. Without these two sectors, growth at a seasonally adjusted annual rate was negative to the tune of 0.6 percent in the second quarter. Regrettably, few factors are present to contribute to a significant and self-sustaining growth phase in the next few months, with the economy still confronted by negative factors such as the sluggish world economy, the weak financial position of consumers and ongoing violence and political These are contributing to uncertainty and a general lack of

onsumer and business confidence. in the longer term, a gradual turnaround in the negative factors ioned, along with a gradual filtering through of the benefits of increased agricultural production to other sectors of the economy, the favourable impact of current and proposed investment projects, extremely low inventories, the need to solete equipment and the further normalisation of nternational economic relations, are factors which favour a

future economic recovery.

I expect 1993 to show little if any economic growth but elieve that economic activity will improve gradually in 1994 Much depends on political developments

Spira: You've mentioned inflation, which is now, at long last, down to the single digit level. What is the outlook?

Stals: South Africa's inflation rate remained relatively high during the greater part of the lengthy recession, mainly as a result of specific events — the Guli War of 1990, the severe



Dr Chris Stals

drought of 1991-92 and this year's increase in the rate of

value-added tax. In addition, in spite of the sharp rise in unemployment, labour's real remuneration maintained an average growth rate of 2 percent during the downswing — a rate which exceeded the growth in labour productivity and contributed to a sustained increase in labour unit costs. This, in turn, had a negative effect on price adjustments.

wever, indications are that this trend has been reversed in the past lew months — a development which should have a healthy influence on inflation and inflationary expectations. At the same time, we should guard against any premature relaxation of financial discipline. And the strategy of bringing inflation down further should not be left to monetary policy me. Higher productivity, moderate increases in renumeration

expect the deceleration of the inflation rate to continue for the next 12 to 18 months - a trend which will, however, be disturbed by technical factors from time to time.

Spira: Yet inflation isn't the only consideration in easing up on monetary policy. The balance of payments constraint is perhaps a more crucial factor. How will South Africa

Stals: In spite of the deepening recession, the surplus on the current account of the balance of payments weakened considerably during 1992 and the first quarter of 1993. This development, which is contrary to the normal pattern of the husiness cycle, resulted from a sharp increase in the me of imports, a continued weakening in the terms of trade, lower gold exports and an increase in net foreign service and transfer payments.

Fortunately, the current account surplus improved strongly in the second quarter of this year, mainly as a result of a reversal in various negative foreign trade frends and a significant rise in the volume of merchandise exports. This favourable trend has continued into the third quarter of

After the capital account of the balance of payments had improved considerably from the beginning of the recession in 1989 until the third quarier of 1992, an increased net outflow of capital began from the fourth quarier of 1992.

indeed, in the three quarters to June 1993, the total net outflow of capital not related in reserves totalled R7 billion. The net result of the transactions on the current and capital accounts has been that South Africa's reserve position has

Yet I would expect the capital account to improve during the current quarter, with the outflow of capital in the process of decelerating. This, together with significant surpluses on the current account, should result in higher gold and other foreign reserves by the end of the year.

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EC business survey

Optimism is clouded by jobs outlook

BUSINESS confidence in the European Community has picked up as companies become more hopeful about an end to recession. But this has not improved the gloomy outlook for jobs, with nearly half of companies expecting to cut their labour forces during the

next 12 months. These are the main coaclusions of a survey, published today, of business opinion in the seven main EC countries. The survey - the UPS Business Monitor, conducted for the US-based United Parcel Service by Harris Research - points to widespread disillusionment with the effects of the single market programme. However. there is relative confidence that plans to create a single currency will eventually produce results, despite the exchange rate mechanism

upsets of the past two years. A total of 58 per cent of respondents believed at least three EC states would create a single currency by 1999, with a further 25 per cent expecting it to happen after that date.

On economic prospects, 56 per cent of executives saw their companies' economic position improving over the next 12 months, up from 38 per cent when the survey was last carried out in autumn 1992. Only 7 per cent expected a worse position, against 19 per

cent a year ago. The survey indicates that the short-term employment outand the Netherlands. Across the seven countries, 43 per cent of companies forecast staff cuts during the next 12 months. The same percentage expected to keep numbers unchanged and only 12 per cent reckoned to take on extra labour.

in Germany, 60 per cent of companies expected to reduce staff, a course of action planned by 57 per cent of

Dutch companies, and 47 per

cent of Belgian ones. In the

UK, where the corporate out-

look has shown the sharpest

improvement compared with a year ago, 22 per cent expected an increase and 30 per cent a

Employers delivered a rigor-ous assessment of the effect of

the EC's social chapter: 27 per

cent thought it would reduce

employment, and only 19 per

cent thought it would create

jobs. Pessimism was highest in

the UK and Germany, with

Italy and Spain relatively hope-

Only 5 per cent of respon-

dents blamed EC policies for

the Community's economic problems over the past year.
At the same time, underlin-

ing disappointment with EC

single market policies, 87 per cent saw no noticeable benefits

to their companies. Asked

movements of goods following the ending of border controls,

only 25 per cent of companies

said they have lived up to

expectations, compared with 67

per cent expecting improve-

A total of 65 per cent of com-

panies pointed to high German interest rates as causing prob-

lems for the rest of Europe,

the Bundesbank was correct to

take action to keep down Ger-

Criticism of German mone-

tary policy appeared greatest

in Spain, Britain, France and Belgium. By contrast, 55 per

cent of German respondents

exonerated the Bundesbank

from blame for Europe's diffi-

Perhans surprisingly, 88 pe

cent of respondents thought

German unification brought

benefits to Europe, up from 76

per cent a year ago. The

approval rating was higher in the Netherlands (99 per cent)

than in Germany (98) and was

lowest in Italy (77).

ment a year ago.

man inflation.

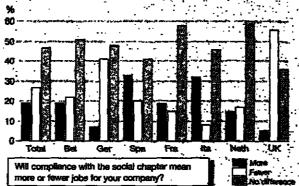
The third UPS survey is based on nearly 1,500 interviews carried out by Harris among EC business leaders between September 6 and October 8, 1993. Respondents were selected from Europe's 15,000 businesses by revenue.

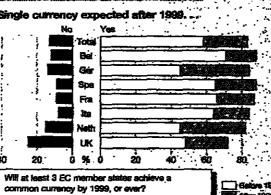
Europe's future: the view from the boardroom

The following countries were included: Belgium (103 interviews), Germany (256), Spain (253), France (258), Italy (255), Netherlands (103), UK (262).

UPS Europe, Whittaker House, Whittaker Avenue, flichmond Surrey, TW9 1TA. FAX 081 332 8193

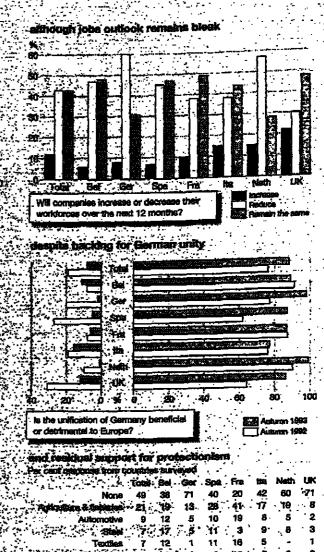
As doubts persist over social chapter.





.uk ight German money blamed for sk rate policy on the rest of Europe?

Business confidence improves across EC.



Britain favoured for manufacturing investment

BRITAIN is reckoned by European business leaders to offer the best potential in the **European Community for man**ufacturing investment, parrowly pushing Germany into second place, according to the

dents put the UK in first place, compared with 17 per cent for

Spain, and 12 per cent for

Illustrating how European business is focusing on Ger-many's economic problems as well as its potential, 19 per cent of companies surveyed gave the Federal Republic the worst rating among EC invest-Eighteen per cent of respon-The favourable impression

tom of last year's survey. The jump appears closely linked to

the improvement in Britain's economic outlook since it left the European exchange fate about economic conditions, with 77 per cent expecting an of the UK contrasts with the improvement in their compa-

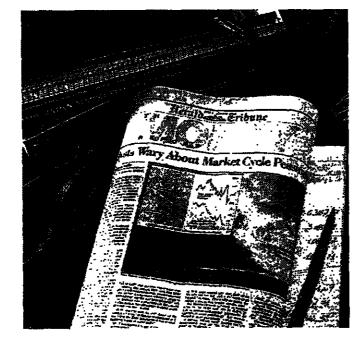
UK respondents in the survey were the most confident

months. This compares with an average of 56 per cent across the seven countries. Medium-term confidence in the UK economy seems to have

Germany still leads countries expected to show the strongest economic growth in the next few years, although its position has deteriorated compared with

Britain, by contrast, has risen strongly in the mediumterm prospects league table, now taking second place. Among executives taking part in the poll, 43 per cent put the UK among countries with the best three-year outlook, against 51 per cent for Germany. A year ago, 71 per cent of respondents thought Germany had the best prospects,

with only 12 per cent saying the same for the UK. As far as currency stability the highest confidence by a wide margin - 78 per cent believed the D-Mark would be the strongest currency during the next 12 months and next three years. Only 7 per cent favoured sterling, a percentage shared with the Dutch



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Currency eases
equity market closes 6% down bond market under close scrutiny

New Zealand bank moves to assure markets

By Terry Hatt in Wellington

DR DON BRASH governor of the New Zealand Reserve Bank, moved quickly to reassure financial markets yesterday that it was "business as usual" in spite of the unex-pected political upheavals of the weekend general election in which no clear winner

Dr Brash said the bank would intervene if the dollar fell so far as to effect its anti-inflation targets. However, yes-terday the dollar, which initially fell sharply, recovered ground against the US currency. The equity market closed down more than 6 per cent, recovering from a 10 per cent fall at the opening. Analysts commented that the market would remain nervous over dence in setting monetary pol-

the next few days and the bond market would be watched

The leaders of the four parties now represented in parliament emphasised yesterday that the financial markets had nothing to fear from the minority government The National party won 49 seats on Saturday night, while the opposition Labour and two minor parties the Alliance and New Zealand First have 50 between them.
Mr Mike Moore, Labour party leader, who has 46 seats and refuses to concede defeat,

made a highly publicised pil-grimage with his finance spokesman, Dr Michael Cullen, to the Reserve Bank yesterday to emphasise that his party would not change the act which gives Dr Brash indepen-

icy, with the aim of securing New Zealand low inflation.

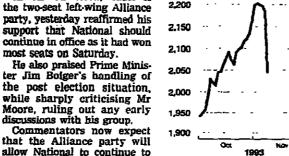
Mr Jim Anderton, leader of the two-seat left-wing Alliance party, yesterday reaffirmed his support that National should continue in office as it had won most seats on Saturday. He also praised Prime Minis-

while sharply criticising Mr Moore, ruling out any early discussions with his group. Commentators now expeci that the Alliance party will allow National to continue to govern, if the present state of the parties remains unchanged after 200,000 special votes are

Financial markets were waiting the response from US markets overnight to the programme has stalled, per-

counted and following any

NZ 40 Index



changed New Zealand political situation. Some investors fear that the US may react negatively to the possibility that the country's economic reform

haps permanently. However, Asian investors were happy to Wattie Industries. others noted that most of the US investment was in the form

of long term investments. Dealers and brokers expect the nervousness to continue over the next few days as the Americans assess what will be a changed political scene in New Zealand. Even if National increases its majority after special votes are counted, it is considered unlikely that it will press ahead with the next round of reforms.

Key players in the financial markets last night said inves-tors in Australia and Asia had accepted that nothing really had changed, and that it would Day to wait at least until the final outcome of the election is known in 10 days or so. CS First Boston dealer Mr Chris West said that Australian and watch developments.

"Several said they still liked the New Zealand economic story. However we are very pervous over the way the Americans might react."

Americans have invested beavily in New Zealand over the past four years. They have made no secret of their support for the radical economic reforms instituted by the previous Labour government and extended over the past three

years by National. The reforms have received widespread favourable press in the US where they have been enthusiastically endorsed by the economist Professor Milton Friedman and industrialist Dr Tony O'Reilly, whose company Heinz last year paid NZ\$600m (£226.5m) for food processor

Other companies such as Bell Atlantic, Ameritech, Bell South and International Paper have invested millions in New Zealand over the past four years on the assumption that the reforms will continue.

Early trading in the bond. fixed interest and equity markets was dominated by fears of what offshore investors might

Bond yields rose by nearly 1 per cent, the dollar plunged and the share market fell by 216 points on the NZ Top 40 capital index, as small investors panicked. By midday after the governor's statement the selling pressure eased as offshore investors remained on

See World Stock Markets and Currencies pages

Beijing to back sweeping reforms

By Tony Walker in Beijing

CHINA'S TOP policy-making body, the Communist party Central Committee, will meet this week to endorse sweeping reforms of taxation, banking and trade.

Chinese officials are describing this plenary session as the most important since the history-making Third Plenum of the 11th Central Committee of 1978 at which the reform drive was

Confirmation that the Central Committee would convene on Thursday came in an article in a Beijing-affiliated Hong Kong newspaper, Wen Wei Po, which forecast Chinese leaders would "take important and breakthrough reform

This latest Central Committee session coincides with an intense debate within the leadership over steps to cool an overheating economy which is expected to grow by about 13 per cent this year, the same as last year.

The session is certain to feature spirited discussion between those advocating continued stern measures to combat inflation, and others wanting more liberal credit policies to save faltering state industries further

 Taiwan yesterday refused to concede its right to prosecute suspected hijackers from mainland China, despite pressure from Beijing to send hijackers immediately back for trial under mainland Chinese law. Dennis Engbarth reports from Taipei.

A Zhejiang Airlines Airbus 300 turboprop airliner was hijacked to Tajwan vesterday. the second act of air piracy in less than three days and the

Paradoxically, the two latest hijackings took place as talks were under way in Xiamen between nominally unofficial representatives from Taiwan and China which are aimed at resolving a series of

Japanese coalition shaken by election loss

THE FRAGILITY of Japan's ruling coalition was underlined over the weekend when it lost a local election to a candidate backed by the Liberal Democratic party, the former government

The seven-party coalition, the most popular Japanese government on record, lost the election for the governorship of Hiroshima Prefecture

because it failed to agree on a joint candidate.

Only three coalition parties managed to agree on a name, while the remaining four refused to back anybody. As a result, an independent supported by the LDP, Mr Yuzan Fujita, a former member of the upper house of parliament for Hiroshima, won the vote by a big margin. He polled 392,842 votes to the 280,531 attracted by the three-party

the coalition government will lose the next general election, if it fails to field

ioint candidates. A recent projection by the Yominri Shimbun newspaper shows the LDP returning to power with 60 per cent of parliamentary seats if the coalition parties lought an election with individual candidates. An election fought by joint coalition candidates would swing

This adds weight to indications that of seats for the current government. An election is likely towards mid-1994, assuming the government succeeds in getting agreement on plans to reform the political system. The LDP's failure to achieve political reform contributed to its defeat last June.

The next test of the coalition's electoral fortunes is due on December 5. when Hiroshima holds a parliamentary



would be supervised by a pow-

By William Dawkins

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STATE CONTROLS on Japan's economic activity must become the exception rather than the rule, with "no sanctuaries" from deregulation, Mr Gaishi Hiraiwa, chairman of the Keidanren business federation, said

He heads a governmentinspired panel that has called for a central body to carry out a five-year economic deregulation plan. The report follows government departments' resistance to reductions in the extensive powers they apply through regulations. But the

concrete report by the end of

All of Japan's more than 10,000 official regulations should be reviewed or considered for abolition, the report says. It singles out as urgent examples 500 rules, on top of the 94 proposals put forward by Prime Minister Morihiro Hosokawa in the first steps of his deregulation drive in September. They include the rice import ban and the resale price system, which requires some products such as books and cosmetics to be sold at producers' recommended prices.

relaxed and clarified, rather than considered for abolition, the report says. These include public utilities and oil supply, finance, securities and insurance, land and housing. The

tradition of "administrative guidance", used by bureaucrats to wield wide informal powers, should only be applied in a clear manner within the law, the panel added. The proposals would be enacted by a deregulation office, to be set up by next April under control of the prime minister, whose efforts

But regulations in several

or safety is at stake should be The establishment of such a body would place the success or failure of deregulation directly in the hands of Mr Hosokawa and his successors. rather than in the government departments concerned.

Even at this interim stage the report has been rewritten after Mr Hosokawa and Mr Hiraiwa rejected a first draft. Mr Hosokawa has told the panel to halve the deregulation timetable from the 10 years that some members of the 15-strong panel of business leaders, economists and former officials have advocated.

Mr Jiro Saito, vice-finance

"fundamental philosophical objections" and hoped to implement it "sincerely". The report bore testimony to the government's difficulties in overcoming entrenched interests, said Mr Susumu Taketomi chief economist at the Industrial Bank of Japan. Economic realities would prevail and deregulation would be achieved "over time", he said. Mr Jesper Koll, chief econo-

mist at SG Warburg Securities in Tokyo, called the report disappointing. "It indicates the... finance ministry is in control over the speed of dere-



Benny Alexander, Pan Africanist Congress secretary general, walks though the ruins of his house in Ennerdale, south of

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India opens door to Rs10bn foreign investments

THE Indian government has approved foreign investments totalling Rs10.2bn (£220m), including plans for two oil refineries, a steel mill, a cement works and a tyre

The decisions take to about \$3.5bn

investment approved by the authori-Mr PV Narasimha Rao, the prime minister, in mid-1991.

This compares with less than \$1bn in the previous decade, but is still well short of the much larger sums invested each year in China, Indonesia and other fast-growing east

The actual flow of direct investties since the launch of reforms by ment has been smaller than the total approved - about \$400m from mid-1991 to the end of May 1993. Final decisions on some larger projects - such as power stations and oil refineries - take time to com-

> The latest batch of approvals, cleared by the cabinet committee on Maharashtra, in partnership with

Oil Company, owned by the Omani government, to take 26 per cent stakes in two 6m-tonnes-a-year oil refineries – one in the central state of Madhya Pradesh, where the partner is Bharat Petroleum, and the second in the western state of

investing Rs3.47bn in the Madhya Pradesh refinery, which will cost a total of Rs45bn, and Rs2bn in the

foreign investment on Friday, Hindustan Petroleum. The Indian a Reif-5bn steel mill, in which a include two proposals by the Oman partners, both state exterprises, will group of Indians living in Dubai partners, both state exterprises, will group of Indians living in Dubai hold 26 per cent stakes, with the rest of the capital to be offered to cement plant, which will be built the public. Oman is considering with support from FL Smidth, a leading Danish cement maker; and a Reston tyre factory in the southern state_of Tamil Nadu, where the investor is Mr Frederick Harrison,

Rabin in call to EC over exports

SRAEL'S prime minister, Mr Yitzhak Rabin, launched a scathing attack on the EC yes. terday, demanding better access for Israeli exports to Buropean markets and more vigorous support for the peace

"The unjustified discrimination against Israel by the EC cannot be tolerated any ionger." he said. "We do not need sympathy, we need deeds and acts to support those who have

taken risks for peace".

Speaking to the Institute for European Studies at the Hebrew University in Jerusa-lem, Mr Rabin contrasted the economic and political attitudes of the EC with those of the US. While the US provided generous aid and its trade with srael was roughly in balance. the EC was running a trade surplus of about \$5bn (£3.3bn). He did not expect the EC to match the US, but at least it should give Israel the chance

to compete. "Even after a year of talks with the EC, we are still not allowed to begin formal negoti-



Mr Yassir Arafat, chairman of the Palestine Liberation Organisation (above), yesterday made a personal appeal to the European Union for generous financial assistance for the occupied territories of the West Bank and Gaza, Lionel Barber reports from Brussels. Mr Arafat received a broadly favourable welcome from the 12 foreign ministers. Today, Mr Arafat holds talks with the European Commission. The EU has pledged Ecu500m (£388m) and Gaza, the two areas due to win local autonomy under an

ations," he complained. Bilateral talks on replacing the obsolete 1975 free trade agreement are expected to be completed next year and will concentrate on Israel's demands for improved access for agricultural and high-technology products.

ement with Israel.

The Israeli leader also wanted a more emphatic European stance against the continuing Arab boycott. "We do not look to Europe as we do to the US, but we do at least ask them to do the minimum," he said. This meant putting real pressure on the Arab League to call off the boycott of Israel. and also doing more to mute Arab criticism of the peace deal with the PLO.

Mr Rabin stressed the calculated risks that Israel was taking for peace, and thanked Egypt for providing a venue in Cairo yesterday for the the PLO and Israel. The negotiations, which are due to be completed by December 13, were broken off last week by the Palestinians in protest at Israel's proposals for a redeployment of troops in the Gaza Strip and West Bank town of

Defending the Israeli proposals, Mr Rabin said that, if they were implemented, 90 per cent strip would not see an Israeli soldier from sunrise to sunset. The latest round of talks are being held at a secret venue in Cairo in order to avoid media

Crackdown on Kikuyu tribe

KENYA police have arrested several leading members of the majority Kikuyu tribe in what eems a vendetta spurred by President arap Moi's government, Leslie Crawford reports from Nairobi. The president, who leads a coalition of minority ethnic groups, has ordered a crackdown on instigators of ethnic clashes. Police apparently see this as an order to detain Kikuyus.

Coca-Cola invasion starts to worry businessmen

Stefan Wagstyl reports that much of industry will be hard-pressed to compete with rising imports

THE appearance of Coca-Cola bottles in Indian shops makes Mr Rahul Bajaj, a leading

The US drinks group last month muscled its way into India by buying out Parle, the country's top cola company, for \$40m. Mr Bajaj, chairman of Bajaj Auto, the world's largest scooter maker, is concerned that other Indian companies may suffer Parle's fate. He says: "There's no level playing field between Indian companies and foreigners. In one stroke, Parle as a company has disappeared. If this happens to several companies, will it be good for India?"

Mr Bajaj is not alone. At a meeting last month of the

Mehta, an economist and senior executive of Tata, the diversified steel and engineering-based grouping, said in a speech that the "critical question before a number of captains of industry is: 'How long will Indian industry remain

The question has a wide resonance in India, which until a decade ago made national self-sufficiency its guiding light. The liberalisation which started in the 1980s and pathered pace in 1991 has long provoked opposition from those who feel threatened by the change - trade unionists. junior-level bureaucrats, and left-wing intellectuals.

The Bharatiya Janata party, the right-wing Hindu opposi-

tion party, has tried to capitalise on these sentiments by accusing the government of being favouring foreigners at the expense of Indians.

However, until this summer.

top industrialists generally publicly supported reform, including moves to open the Indian economy to foreign ever reservations existed largely remained unspoken. But, in the last few months, some leading industrialists have began to mestion outlicly the pace of liberalisation. competition from imports is beginning to dawn. Even though the flow of foreignmade goods is still very slow,

because of continuing tariffs

and restructurings, the husi-

virtually every large group point to one conclusion - that much of industry will be hardpushed to compete with imports when the barriers

Moreover, some business families, which typically run their corporate empires holding 20 per cent or less of listed stock, are seriously concerned about retaining control of their businesses as liberalisation spreads. As one Delhi-based economist says: "The most acute pain is a fear that they to their sons and grandsons." Prominent among those questioning the pace of reform are the heads of some of India's older family-owned

Govind Hari Singhania, who controls the Delhi-based J K Organisation with interests in tyres and other products, and Mr Lalit Thapar, president of Ballarpur Industries, flagship of a diversified papermaking

These men insist they do not oppose reform. Their arguments are couched in careful language to maximise support and avoid causing unnecessary offence. Their watchword is a demand for "a level playing

They argue that foreign companies entering India come with all the advantages of operating in the international economy - such as access to the best technology, economies of scale and low-cost capital. Indian companies, by contrast.

have been kept locked up in an tiles and chemicals group. uncompetitive environment. Pre-1991 restrictions on private enterprise prevented them from developing world-class plants and products.

These arguments have a political dimension because they echo parts of the eco-nomic manifesto of the BJP, which is broadly sympathetic to promoting Indian-made goods at the expense of foreign

Businessmen with greater faith in liberalisation scorn the. thought that Indian industry is about to be swamped by multinationals. The most enthusiastic supporters of reform tend to be younger executives, often managers at more recently-es-tablished companies, such as Reliance Industries, the tex-

These men argue that India needs foreign companies now to help up-grade skills and technology and bring muchneeded capital. They accept that competition will cause casualties.

These progressives have no complaints about the decision of Mr Ramesh Chauhan, the owner of the Parle group, to sell out to Coca Cola. Mr Onkar Kanwar, managing director of Apollo Tyres, a rapidly expanding manufacturer, says: "He is a wise man. He saw the writing on the wall. He saw he could not compete." However even the shouses supporters of liberalisation acknowledge that the conser-vative lobby has highlighted

some genuine grievances. One is a permission granted to foreign companies with partowned Indian listed subsidiaries to increase stakes at a discount to the stock market price. Indian institutions, which dominate the share registers, are mostly happy to do this because an increased investment by a foreign group brings growth prospects. Indian entrepreneurs are annoyed because they too

out losing control. Another frequent complaint concerns import tariffs. Recent tariff cuts created anomalies. In some industries, duties on components are higher than those on finished goods: the idea is to protect domestic component makers but the effect is sometimes to benefit the foreign producer of fin-

Businessmen are also irritated with the country's statedominated banking system, which channels low-cost funds to politically-favoured borrowers such as farmers at the expense of large-scale industry. Few foreign companies borrow in India so they do not face the

same problem Proponents of reform argue that, while these complaints are fair, it is quite wrong to use them to build a case for slowing liberalisation. They also say that India's problem is not attracting too much for-Nevertheless, Mr Mehta of Tata believes that unless the concerns of the conservatives are taken into account there is a risk of "some sort of possible backlash against the economic reforms from certain sectors of industro".

Turnout low in Jordan elections

By James Whittington in Amman

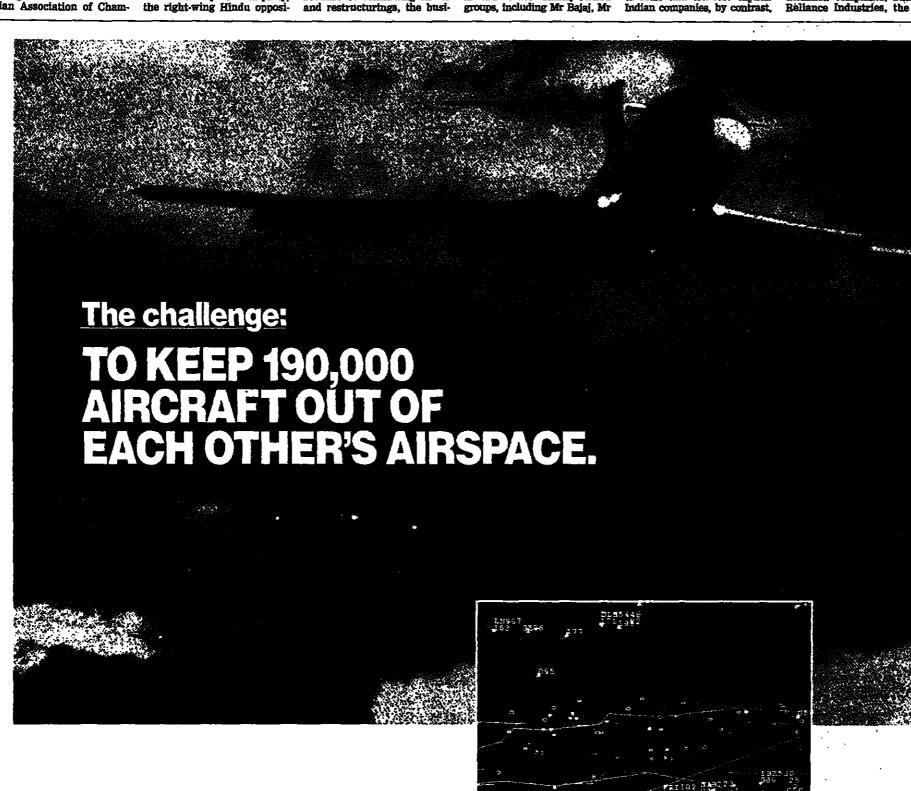
THE PROPILE of Jordan voted yesterday in the kingdom's first multi-party elections since 1956. A total of 534 candidates. including three women and more than 15 political parties, were standing for the 80-mem ber Lower House of Parliament which along with the Senate whose members are appointed by the king, forms Jordan's national legislature.

Government officials reported a lower-than-expected turnout. Results are expected

Moslem fundamentalists are tipped to take the largest blocof seats in the new parliament as they did in the 1989 elec-tions. The Islamic Action Front is the biggest and best organ-ised party. It has 36 candidates standing in 16 out of 20 voting districts and has conducted its campaign on the slogan: "Islam, the solution". Most other parties from Communists to Nationalists have preferred to field candidates as individuals rather than on ideologies.

The outcome of the elections has important implications on the Middle East peace process since the new parliament, Which constitutionally has a term of four years, may be asked to ratify a future peace agreement between Jordan and

The fundamentalists are unlikely to win enough seats to threaten ratification, but their rejectionist stance is a cause of concern to the king. In the last parliament, their opposition to the peace process helped bring down the government of Mr



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unions after Nafta gaffe

THE WHITE HOUSE yesterday chose to characterise as "merely a difference of opin-ion" President Bill Clinton's criticism of strong-arm trade union tactics to persuade members of Congress to vote against the North American Free Trade Agreement.

Towards the end of his Sun-day television interview, the president himself had qualified his attack.

Advised during a commercial break of the initial news agency headlines of his earlier comments, Mr Clinton said: These guys are my friends. I just don't agree with them on

Mr Mack McLarty, the White House chief of staff, went on television yesterday to deliver the same message. The presi-dent and the unions "shared a lot of common ground," he said, although Nafta was an

Nevertheless, Mr Thomas Donahue, general secretary of the AFL-CIO, the umbrella union organisation, had on Sunday evening accused Mr Clinton of "a cheap shot", one which was "part of a desperate effort to capture votes".

Only a tiny fraction of organised labour has come out in favour of Nafta, though opposi-tion to it from some white-collar and federal employee

unions has been muted. More typical was a comment to the Washington Post yesterday by Mr William Bywater, head of the electrical workers union: "I tell any Democrat am not going to support any of them, period. I will try to get a candidate to run against them in the primary, even if it meant a seat falling to the

Republican party.

Meanwhile, one employer with a heavily unionised workforce did come off the fence yesterday in Nafta's favour. United Parcel Service, the country's largest employer of members of the Teamsters union (165,000 out of the company's payroll of 240,000), said that "the trade boom from Nafta will result in hundreds of new UPS jobs," most of them for union members

Mr Clinton was critical on Sunday of US corporations for not lobbying hard enough in favour of the agreement, though the shift in the UPS position had been decided on Friday. Some substantial business political contributors have also privately threatened to withhold funds from those who vote against.

The president himself was fully engaged in the lobbying effort yesterday, with three White House meetings and a dinner for 15-20 undecided members of Congress on his schedule.

But most attention was focused on tonight's televised debate between Vice-President Al Gore and Mr Ross Perot, the Texas billionaire and last year's independent presidential

The Justice Department ye terday confirmed that the FBI had passed on to Mr Perot a death threat which, he said. came from a "Mafia-like" group

Clinton woos Thrashing out a high-tech funding policy

Louise Kehoe reports on a new US partnership

EELING their way towards a new collaborative between government and industry, senior Clinton administration officials and Silicon Valley high-tech executives gathered in California last week for a "Technology Sum-

This first-of-its-kind event "could not have happened under any previous US administration," said Mr Ronald Brown, the US commerce sec-retary. "We have wasted three decades on ideological debate about the appropriate role of government [in commerce] while our international competitors figured that out a long time ago."

The emerging US flavour of industrial policy is, however, quite distinct from that in Europe and Asia, with their large-scale, government-directed technology projects.
"Technology is the engine of

conomic growth. It is the private sector that fuels the engine that pulls the train." Mr Brown said. However, the US government had a new role to play by creating an environ-ment for international competitiveness and priming the pumps with research funds aimed at accelerating development and commercialisation of

promising, high-risk technolo-

gles likely to spur US growth. In the past, US government technology spending was pri-marily defined by military goals, said Mr Stephen Cohen, co-director of the Berkeley Roundtable on the International Economy, the influential think tank that organised the technology summit. "In the

the White House science and technology adviser. Yet even as US government

spending on commercial research and development programmes is increasing practical questions remain about how to implement this new "partnership" between the US public and private sectors. "As soon as you start shift-

'The Bush administration saw no difference between potato chips and computer chips'

post-Cold War era," he said, "the US faces the challenge of realigning government research and development spending to support economic

About 41 per cent of the US government's \$76bn research and development budget is spent on civilian or dual-use projects, with the majority going to defence-related research. President Bill Clinton aims to balance the research budget more evenly between defence and industry.

"We can no longer rely on serendipitous spin-offs from defence spending to spawn innovation in the commercial sector," said Mr John Gibbons.

ing funds from defence research to commercially relevant projects, two questions arise," said Mr John Young. retired chief executive of Hewlett-Packard, "What are you going to fund, and who is going to be accountable? How we going to measure results to ensure that the American people are getting good value?"

The National Institute of Standards and Technology, which is operating a pro-gramme of commercial research and development matching grants, will concentrate funding on strategic areas identified by industry

haker, the institute's director. bursed most of its \$68m funds to 29 companies and corporate alliances. Next year, the Advanced Technology Program spend, and President Clinton aims to raise funding to \$750m

by 1997. Identifying areas of technol-ogy that will be critical to the future competitiveness of US high technology industries has not been difficult. Several industry groups have drawn up lists of technology areas they consider critical to competi-

Yet, in such fast changing fields, it may prove hard to ensure that the focus of government-funded research remains current and that government programmes keep pace with changing industry views. Mr Young warned.

A big concern is that the ATP will become a high-tech pork barrel programme, says Ms Prabhaker. To avoid this, she is establishing a review system that mirrors the peerreview process of academic research. A committee of private sector experts will review grant proposals for technical and commercial feasibility. Other industry speakers at

that the Clinton administration's efforts to move research spending closer to the commercial sector might disrupt the funding of university research. "We have a university research system that is the envy of the world. Don't screw it up!" warned Gordon Moore, chairman of Intel, the big US semi-



Ronald Brown: Technology is the engine of economic growth. It is the private sector that fuels the engine

Despite their words of caution industry executives were gen-"Tech Team" from Washington, who showed a thorough knowledge of industry issues. Bush administration that saw no difference between potato chips and computer chips," one

Castro turns eye to tourism

Cuba has said that efforts by the US to isolate the country through an economic embargo are instead isolating US business, which is missing investment opportunities in the Caribbean island.



Fidel Castro: critical of Cuban staff in tourism industry

In several weekend statements, Mr Castro also said Cuban workers were not effi-cient and praised foreign investors in Cuba for increasing productivity in several sectors, including tourism. He told a group of foreign

By Canute James in Kingston businessmen that investment opportunities in Cuba were and that tourism alone had the potential for \$20hn in new foreign busine

Opportunities for foreign investment in Cuba were growing so quickly that there would be "not one square metre of beach" left for US companies. "Those who impose a blockade, impose a blockade on themselves." he said.

Speaking to a conference of Communist party delegates, Mr Castro said his government wax committed to expanding the tourism sector, as it was the only economy activity which could ease Cuba's economic problems.

The Cuban economy has been under severe strain following the break-up of the Soviet Union, the island's for mer benefactor, and a poor sugar harvest.

Mr Castro was critical of Cuban managers and workers in the tourist industry, and said resort properties managed by foreign investors were more efficient. Cuba had been "excessively paternalistic" with its workers and had not been demanding enough. However, Cuba "is and will continue being a socialist state."

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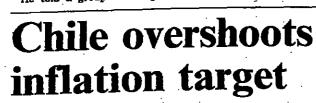
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By David Pilling in Santiago

THE CHILEAN government has strongly denied sugges-tions that it is losing the battle against inflation after a 2.6 per cent jump in prices last month, the biggest in two

The sharp rise - dubbed the "pumpkin" because of the Finance Ministry's insistence that seasonal factors, such as high prices for certain fruit and vegetables, are to blame brings accumulated inflation for the first 10 months to 11.9

The government is now certain to overshoot its revised 1993 inflation target of 12 per cent. Its original intention was

per cent from 12.7 per cent last year. Its failure to smother inflation in 1993 also raises questions about next year's target of 10 per cent.
Mr Roberto Zahler, governor

of the independent central bank, called October's rise "unsatisfactory" and urged the government to moderate public spending. In particular he criticised the 15 per cent pay rise to 450,000 public sector work-

Mr José Pablo Arellano, budget director, rejected the governor's arguments. All government spending, including the public sector pay rise, had been fully financed from existing resources, he said.



BA 'needs 600-seat superjumbo' Japan relives dream

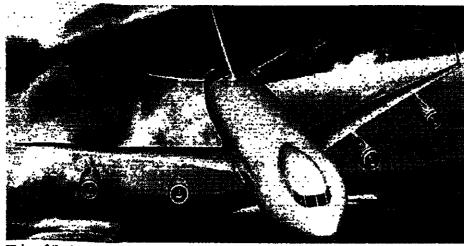
By Paul Betts, Aerospace Correspondent, in Dubai

BRITISH AIRWAYS is putting increasing pressure on com-mercial aircraft manufacturers, including Boeing of the US and the European Airbus partners, to develop a new 600seater superjumbo aircraft for delivery around the turn of the

century.
Mr Alistair Cumming, BA's director of engineering, told a Financial Times aerospace conference at the Dubai Airshow that BA needed such a large aircraft to reinforce its global strategy. Increasing airport congestion, especially at BA's home base of London Heathrow, could severely handican the airline's future, Mr Cumming warned

"So much so that we have concluded that we will only be able to satisfy future traffic domands and maintain market share on intercontinental routes with larger aircraft," he explained

Boeing is currently studying with the four Airbus partners, British Aerospace, Aérospa-tiale of France, Deutsche Aerospace and Casa of Spain, possi-



Vision of the future: Airbus Industrie's concept of a 600-seat superjumbo

ble joint development of a manufacturers "had to listen" superjumbo. Both the US company and Airbus are also con-ducting separate studies of their own for a large aircraft. But in the worst post-war recession in the airline market, manufacturers are reluctant to commit themselves on a programme expecting to cost well over \$10bn (£6.7bn) in research

However, Mr Cumming said

to their customers and their future equipment requirements. The consolidation of the airline industry around a number of giant airline groups was likely to change the relationship between airlines and manufacturers, giving a few big airlines a much greater voice in future product decisions than in the past. "If you put BA and all its airline part-

ners together you are talking of...about 1,000 aircraft of 40 different types," he said.

There was likely to be some rationalisation of this global fleet in the shorter term but in the longer term, as BA develops its integrated global airline system, there would be a huge aircraft re-equipment need for the group which could potentially involve as much as \$50bn

BA is building up its inte-grated global system through its equity partnership in US Air, Qantas and some smaller European carriers. Other airlines are also form-

ing global groups expected to seek to rationalise their fleets and eventually re-equip them on a more integrated basis. BA has already established a

special study team to work with airframe manufacturers to help design a superjumbo. Initial designs envisage a 600-seat multi-deck aircraft in which the different levels, including the underfloor belly, could be used by passengers.
"Designs also allow for a

rations because, in a global airline, an aircraft travelling predominantly westbound reouires a daytime atmosphere. while one flying eastwards requires a configuration more suited to rest and sleep," Mr Cumming explained.

quick change of cabin configu-

With the new large aircraft BA is seeking a 20 per cent cut in operating costs compared with the Boeing 747 through better fuel efficiency, longer service life and reduced down-

of cheap electronics

sushita, the late founder of the electronics company which bears his name, dreamed of making consumer electronics products available in Japan as cheaply and abundantly as tap water. 800m-900m sets.

With Japanese markets for TV sets and video recorders at saturation point, Matsushita is now gearing up to relive its founder's dream in neighbouring China. Last week, Matsushita

announced it would set up a joint venture facility to produce core components for video tape recorders in the high tech industrial complex of Dalian. The venture with the China Hualu Electron Company, which will manufacture L5m VTR components a year, will be Matsushita's 12th facility in China. Ten of those. including the VTR venture above will be making products for the Chinese market itself. making Matsushita unusual even among Japanese manu-

facturers. Many Japanese companies have invested in southern China as a manufacturing base for export but Matsushita is looking to the future of the Chinese market itself, says Mr Katsumi Tametani at Matsushita's corporate management division for Asia, Oceania and

Already, China produces 10m TV sets, most of which go to meet domestic demand. In volume terms that is larger than the entire European market, not to mention the Japanese market itself, which is about

China's demand for electronics is greater than Japan's was in the 1960s, says

Michiyo Nakamoto Meanwhile, penetration of colour TVs is estimated to be as low as 5-6 per cent in rural areas and 7 per cent in the cities. The potential for growth in demand looks far more

promising than in the west and Japan, where demand is mainly for replacements. Mr Tametani says that China, in some ways, is like Japan 30 years ago, when Mat-sushita saw its business expand as Japanese consumer spending began to increase.

Just over 30 years ago, sales of

colour TVs rose strongly in

Japan, spurred by the marriage

in 1959 of the current Emperor

and Empress.
But the rate at which Chiness consumers are buying electronics products today is even faster than that seen in Japan in the 1960s.

"If the market develops at this rate it could outstrip Japan in value terms as well, Mr Tametani says enthusiasti-

Matsushita is also looking for growth in demand for washing machines and pagers which are in wide demand as there is on average only one telephone per 100 people.

The speed at which the Chinese markets for consumer products are advancing to ever-more sophisticated technology and the rapid development of the domestic industry mean that Japanese companies need to offer greater value to

compete in China. Matushita's VTR joint venture signals a major develop-ment in the Chinese video industry. By joining hands with Matsushita, the Chinese aim to replace some of those imports from Japan with locally produced components. With a 20-year stake in the joint: venture, Matsushita appears to have ensured itself a role in the development of what could become the world's

Russian know-how for Hyundai air deal

By John Burton in Secui

HYUNDAI, South Korea's largest business group, plans to produce pas-senger aircraft using Russian technology in the second Korean civilian aerospace project to be announced within the month.

Hyundai Precision & Industry, which manufactures railway and other transport equipment, will establish a joint venture aerospace company with Yakovlev of Russia in which the Koreans will have a 51 per cent stake. Yakovlev will be responsible for the

design and development of the passen-ger aircraft based on 150-seat Yak42H and the 30-seat Yak40H. They will be

South Korea wants to be one of the world's ten leading aerospace producers

assembled by Hyundai in South Korea. Hyundai will also establish a global marketing and after-sales network for .

both the Korean-made airliners and other aircraft produced by Yakovlev. It is the first civilian aircraft

venture for Hyundai Precision, which already assembles military helicopters. It follows last month's announcement by Daewoo Heavy Industries that it plans to manufacture medium-sized airliners in co-operation with Aviation Industries of China and Korean Air, the country's main airline.

Daewoo is also negotiating with Hindustan Aeronautics of India and Singa-pore Aerospace to participate in the \$1bn (£670m) project to develop and

produce the airliner that is scheduled to enter service in 1998.

The Hyundai and Daewoo civilian aircraft programmes represent a new departure for the Korean aerospace industry, which now largely consists of assembling US military aircraft, such as the F-16, and the production of civilian airliner components.

The Korean government wants the ntry to become one of the world's ten leading aerospace producers by the year 2020 and has budgeted some won250bn (£209m) for the developmen of a medium-sized passenger aircraft.

NEWS IN BRIEF

Ministers in mission to speed Gatt deal

Ministers from four British Commonwealth countries yesterday began an eight day mission to key world capitals to urge a speedy and successful conclusion of the Uruguay Round of trade liberali-sing talks, due to end on December 15, Frances Williams reports from Geneva. Mr Branford Taitt, foreign minister of Barbados, told a news conference in Geneva that smaller developing countries such as his own would suffer without a Uruguay Round agreement, which gave them the best hope of fairness and equity in the world trading system.

The delegation, which also comprises ministers from Ghana, Malaysia and Mauritius, met Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, before going on to Brussels, Paris, Bonn, Washington, Tokyo and London.

ABB buys Czech wire company

Asea Brown Boveri, the international electrical engineering group, has hought Elektro-Praga, a leading Czech manufacturer of wiring accessories, Patrick Blum reports from Vienna.

The price for the company to be renamed ABB Busch-Jaegar Klektro-Praga was not disclosed. A spokesman said the company would work closely with ABB's Busch-Jaeger German subsidiary, and help to introduce ABB products on to the Czech market and in central and eastern Europe.

Pirelli in China joint ventures

Italy's fast-expanding trading links with non-EC countries received a boost yesterday with two joint ventures between the Pirelli tyres and cables group and state-owned partners in China,

The first involves a new L100bn (\$63m) tyre plant to supply the apidly growing Chinese automotive market. The new Beijing plant will have an initial capacity of 1.4m tyres a year. Pirelli will amply technical expertise. The second deal involves a new factory at Houma in Shanxi province to manufacture copper and fibre optic telecommunications cables

Turks to repair Moscow parliament

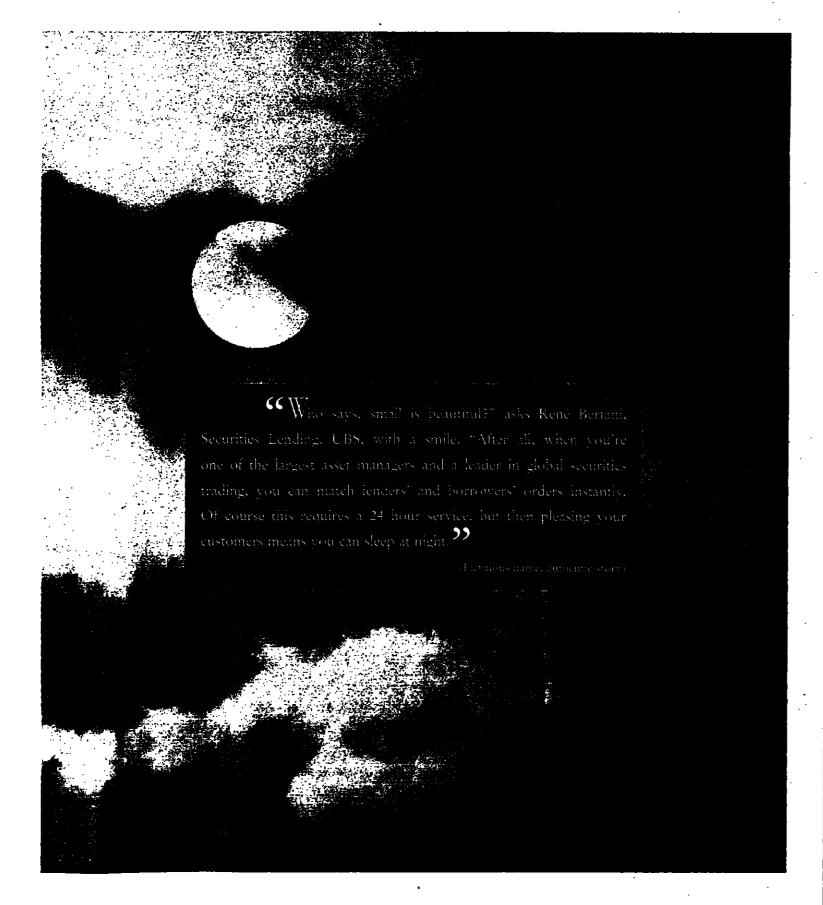
THE RUSSIAN government has awarded Gama Industry of Turkey a \$17m contract for the first phase of repairs to the White House in Moscow, the parliamentary building blasted by tanks and gunfire during the anti-Yeltsin rebellion a month ago.

Gama started work on the building within days of the rebellion ending on October 4 but it only recently secured a contract.

"We started work with only a verbal agreement. There was no time to talk about price and money, they wanted the work done quickly so we went ahead," Mr Ergil Ersü, Gama's managing director, said. "It was in front of the whole world's eves, so we had to go ad and trust our client."

About 200 Gama construction workers were already in Russia working on other pro-

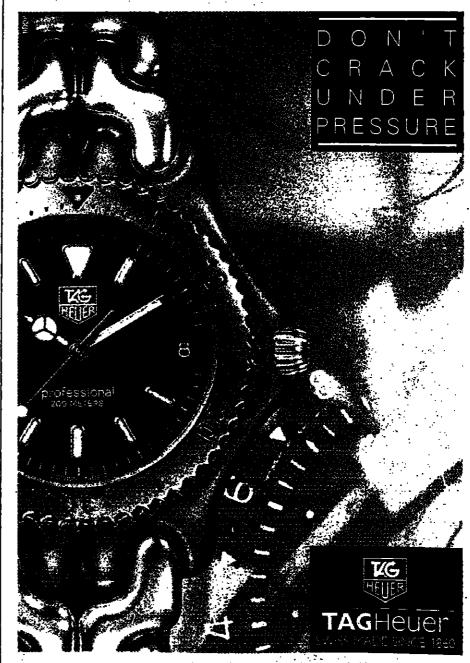
Within a week, a further 500 had been flown from Turkey along with equipment and tools. The company is repair-



Not banking as usual.

NEW YORK, LONDON, PARIS, FRANKFURT, ZURICH, GENEVA, SINGAPORE, HONG KONG, TOKYO; LUXEMBOURG, MADRID, MONTE CARLO, MILAN, MOSCOW







Press regulation in balance after photo row

By Raymond Snoddy, Kevin Brown, Diane Summers and Stewart Dalby

THE future of self-regulation of the British press was in doubt last night after the three national titles of Mirror Group Newspapers pulled out of the Press Complaints Commission amid a growing row over pictures of the Princess of Wales published in the Sunday and Daily Mirror.

By Kevin Brown in London

THE Anglo-Irish peace

initiative on Northern Ireland

was under strain last night

Downing Street responded

sharply to suggestions by Mr Albert Reynolds, the Irish prime minister, that peace

could be achieved by Christ-

mas if the two governments

focused on a ceasefire and

talks with Sinn Fein, the IRA's

Officials said that Mr John

political wing.

after fundamental differences emerged between London and

Dublin over an IRA ceasefire.

and Tim Coone in Dublin

Mr David Montgomery, chief executive of MGN, said last both the LA Fitness Club in night that the PCC, the industry regulatory body, was fin-ished and accused its chairman Lord McGregor of Durriss of exceeding his powers and behaving unfairly. The MGN withdrawal, which

could fatally undermine the Commission, came as lawyers writ would be issued today alleging breach of confidence

Ulster peace move falters

Sir Patrick Mayhew, the

Northern Ireland secretary,

suggested in Kells, County Antrim, that the timetable out-

lined by Mr Reynolds could

hinder the peace process.
"I don't think that this is a

process that will benefit from governments saying that this

must be achieved in a fort-

night, or that must be achieved in a month," he said. Sir Pat-

rick tried to minimise the

importance of the split by insisting that it was "a mistake

to look for evidence of dis-

agreement between the two

However, Mr Reynolds responded swiftly to the Brit-

ish comments. He said in a

statement that "peace cannot wait." He added: "Time is not

governments. There is none.

tures were taken and MGN which published them.

Mr Montgomery said last night that the Daily Mirror decided yesterday not to publish any more photographs after the Princess's solicitors declared her "distress and deep for the Princess said that a sense of outrage" over the pictures, taken while she was

mering differences between London and Dublin over the

framework for the peace pro-

cess, which was launched by

the two governments in Brus-

Sir Patrick reiterated the

British stance yesterday in an article in the House Magazine.

a journal produced for MPs.

"The government will never

negotiate with those who still

support threaten or perpetrate

violence, or who have failed to

show that their disavowal of

Three men were remanded

in custody by a special court in

Limavady, Co Londonderry,

charged with the murders of seven people shot dead nine

days ago in the Rising Sun bar

in nearby Greysteel.

such evil is for real," he said.

sels two weeks ago.

Lawyers for the Princess last night won an injunction in the High Court preventing further publication of pictures. MGN contested the injunction on the grounds "we have done noth-

ing unlawful."
It is believed that Mr Bryce Taylor, the main owner of the gym, arranged for the pictures to be taken through a hole in the ceiling and sold them for around £100,000. Mr Peter Brooke, the

national heritage secretary. warned yesterday that the publication of the photographs demonstrated the shortcomings of self-regulation and increased the likelihood of statutory controls on press freedom.

Mr Brooke is now expected to produce a much delayed noticy document on the press in

Earlier, Lord McGregor had condemned the action of the

Daily Mirror and said advertisers should show there displeasure at an "outlaw" newspaper by withdrawing advertising business.

The Royal Automobile Club and Autoglass, the windscreen replacement company, said they were dropping the Daily Mirror from their schedules but Mr Andrew Brown, chairman of the Advertising Associ-

Hurd attacks Smith over Euro-socialist manifesto

By Lionel Barber in Brussels

MR DOUGLAS HURD, the foreign secretary, yesterday accused Mr John Smith, leader of the opposition Labour party, of recklessness and misjudgement for supporting supporting a European Socialist party manifesto calling for a shorter working week.

Speaking after a meeting of European foreign ministers in Brussels, Mr Hurd said that Mr Smith had shown himself a "Socialist first and a represen-

tative of Britain second". European socialists voted unanimously at the weekend

festo which called for a reduction in the working week and majority voting in the council of ministers, and threw its full weight behind the goals of a single European currency and foreign policy.

Mr Smith supported the document, but later made clear that the recommendation on cutting working time as a means of safeguarding jobs would not feature in his party's campaign for the European parliament elections next year. Mr Hurd said the UK had fought successfully to exclude majority voting in the Maas-

Conservative party's campaign for the Euro-elections, said the proposals for a cut in working time, for majority voting, and the question mark raised in the manifesto over both British and French UN Security Council seats, was all "surprising stuff for the leader of the opposition", adding that "I think it

is a day he will regret." Tory ministers and backbenchers have been on the offensive since Mr Smith and 18 other leaders of socialist parties in the EC and EFTA countries signed their manifesto for next June's Euro-elec-



The numbers of students enrolled at Britain's "old" universities like Surrey, above, grew by a third in the four years to 1992-93, according to official figures. The biggest growth was in arts subjects (up 36% over four years). "Old" universities exclude those granted university status in the last two years

Major, the prime minister, had ruled out "secret agreements on a ceasefire with violent organisations," and was "wary of false optimism" in Dublin. Britain in brief

Turksto repair Moscow parliam

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Murders hit bookings to Florida

Bookings to Florida for next summer are running at about the same level as last year, suggesting the state is failing to maintain its share of the growing UK holiday market,

travel agents said yesterday. Airtours, which owns travel chains Pickfords Travel and "Hogg Robinson, said about 1.2m summer 1994 holidays to all destinations had already been booked through UK or demolish it. The order was agents - nearly 500,000 more ...made against the Rev David than at the same time last year. Lunn Poly, the biggest travel agents' chain, said the

figure could be closer to 1.7m. Both chains said the recent murders of tourists in Florida and the strong dollar appear to have hit bookings. Nevertheless, fears of a sharp fall in UK visitors to the state do not appear to have materialised, they said.

Amec Offshore faces strike

Amec Offshore, the Tyneside offshore fabrication company, faces an all-out strike over new terms and conditions.

In a secret postal ballot its 900. manual workers voted for strike action over the company's attempt to make night shift employees work seven hours a week longer for their present rate of pay.

The company, which recently claimed trade union intransigence and shortsightedness" was threatening its future, says it is only asking its nightshift to be realistic about the need for cost reductions and to work "gift hours" currently paid but not worked.

Green policies good value'

People rate environmental protection of the countryside as good value for money, the government said.

The public is prepared to pay five times the current cost of conservation schemes to preserve traditional English landscapes, according to a report commissioned by the Ministry of Agriculture, Fisheries & Food. The study, by the Centre for Rural Economy at the University of Newcastle, questioned 3,000 people about the value they put on the

Tunnel extras 'add £125m'

Extra tunnels and other route changes which would add £125m to the £2.5bn cost of the high speed Channel tunnel rail link are proposed in a Kent County Council report.

The report will be put a special meeting of Kent County Council this week and, if approved, will be submitted to the government. The study confirms the county's support for the tunnel link in principle but calls for changes to cut its environmental impact.

Submarine in near miss

on our side."

A British submarine was involved in a near-miss with a fishing boat during a training exercise early yesterday. The Royal Navy said the

incident happened between the Inverness-registered boat Andacious and the fleet sub-marine HMS Valiant 35 miles north-west of the Butt of Officers on the submarine established contact with the Audacious who reported she was safe and well.

Vicar told to repair church

A country vicar was given six crumbling 163-year-old church Saunders by magistrates in Cullompton in Devon.

It is thought to be the first order of its kind under the Building Act. The local council complains that the listed All Saints Church in the hamlet of Blackborough, which has a population of just 100, is in a dangerous condition.

Orchid grower sues over cold

An orchid grower sued for High Court damages over blooms lost when his green-house heating supply failed. Peter Hines claims that he lost orchids worth £93,980 when the gas supply at his nursery near Plymouth, broke down in freezing weather in 1989.

The company which installed the heating system denies liability saying that the supply must have been inter-

US 'fads' too common

ing American management fashions to justify the "all too easy use" of redundancies, according to John Monks, general secretary of the TUC, the trade union umbrella body. He said managers were using jargon such as "downsizing" or

British companies are follow-

"rightsizing" to try to hide the harsh reality of job shedding. "These euphemisms are designed to make respectable management policies which fly in the face of developing long-term relationships at work which are essential if Britain is to regain world-class status as an industrial and

commercial power," he told a business meeting in London. "Too many British companies slavishly follow the latest management fads and fashions which come across the North Atlantic from the United States," he added.

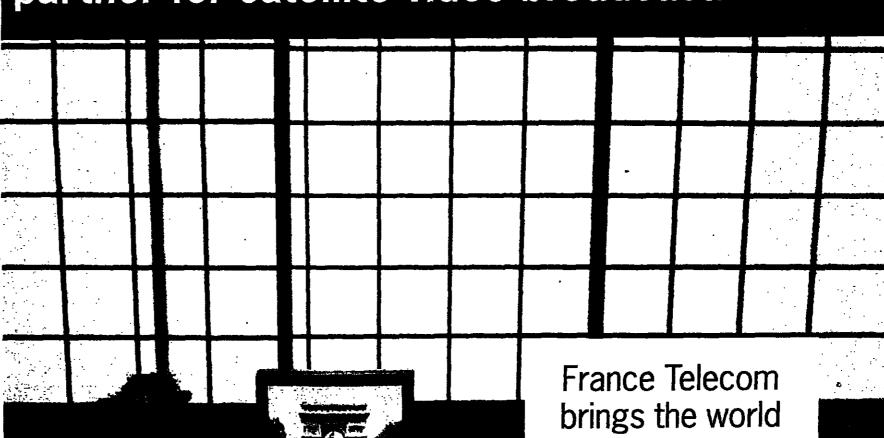
Second city expects cuts

Expected cuts in the forthcoming UK Budget have led Bir-mingham city council, the biggest local authority in England, to ask all its 11,000 administrative employees if they would be prepared to

take early redundancy.

The council said it feared it could lose £30m in the 1994-95 Budget allocation, but stressed it did not have a target number of staff reductions.

NHK selects France Telecom as European partner for satellite video broadcast.



closer. France Telecom's expertise in the audiovisual

field covers all phases of the video cycle: from image production through broadcasting. Whether transmitting political, sports or artistic events, the extreme flexibility and speed of intervention of France Telecom's specialized units are essential.

They operate worldwide thanks to state-of-the-art transportable and fly-away stations. When events call for it, reaction must be swift, logistical issues must be dealt with efficiently, as well as contacts with French and foreign TV stations.

Yet speed and competence are not enough: in an extremely tough and competitive environment, France Telecom's interventions must also be cost effective. Many clients recognize these strengths. Among them, NHK, Japan's leading public television network, has appointed France Telecom as main supplier of European

sourced TV footage. Every Japanese home has a direct view on Europe.

For more information call: London: (44 71) 839 25 31 Frankfurt: (49 69) 961 29 20 Brussels: (32 2) 648 02 17 Madrid: (34 1) 577 93 64 Paris: (33 1) 44 44 57 06



France Telecom

Net lending highest for $3\frac{1}{2}$ years

GROWING evidence that consumer demand is proving the main prop of economic growth in Britain was supported yesterday by news that net lending to consumers more than doubled in September to its highest figure for more than

But a survey today by the Confederation of British Industry, the employers' organisa-tion, of trading conditions in UK high streets does nothing to alleviate the picture of a patchy and hesitant recovery. In the first in a long line of

important official figures to be published before the November 30 Budget, the Central Statistical Office said that net borrow ing by consumers from hulldsocieties, finance houses and on credit cards operating the Visa and Mastercard systems jumped to a seasonally idjusted £489m in September

from £225m in August.
The increase was partly the result of higher net lending to consumers by finance houses. which, it is thought, reflected aggressive credit sales campaigns by car manufacturers. In addition, there was a turnaround in credit card borrowing. where a net £89m repayment by consumers in August was followed by net borrowing of £106m in September.

The Treasury welcomed the figures as "consistent with the

By Guy de Jonquières, Consumer industries Editor

CONSUMERS over 50 exhibit

different tastes, social values, shop-

ping habits and leisure pursuits

from younger people, according to a

study by Mintel, the market research

more than young ones, rate quality

Older consumers eat and drink out

CBI in its October survey of the retail, wholesale and motor trades, warned that sales in the high street, while growing. were below normal for the time of the year and falling short of

The CBI reported that sales in Britain's shops and department stores increased last month at a year-on-year rate that was similar to that in September but below the growth rates recorded during the summer. Although the survey suggested that retailers expect sales to grow more strongly in the year to November, Mr Nigel Whittaker, chairman of the CBI's distributive trades panel, cautioned that expectations have not been realised in six out of the last seven sur-

"Consumer uncertainty about the impact of the forthcoming Budget could also dampen high street trade over the coming weeks" he warned. The absence of a strong

upturn was underlined by producer price data yesterday which showed that inflationary pressures in Britain's factories remained subdued last month. The Central Statistical Office

reported that the price index for home sales of manufactured goods dropped to 4 per cent in the 12 months to October from 4.2 per cent in the year to September. Prices for raw materials and fuel purchased by industry fell by a seasonally adjusted 1.1 per cent between September and Octo-

cautious about buying on credit and

value retailers' efficiency above their

The study says the number of peo-

ple in Britain aged more than 50 will increase by 9 per cent during the 1990s, and those in their early 50s

will rise almost a third, as the "baby

The emergence of this "third age"

boom" generation grows older.

Government backs off London bus plan

GOVERNMENT vesterday retreated for the first time from a commitment made in its general election manifesto by announcing that it would not proceed with the deregulation of the London bus service in the lifetime of the current pariiament.

Gregor, the transport secretary, said that the government would proceed with new reforms of the capital's bussystem; opening up more of the routes operated by London Buses Ltd to competition.

But more radical legislation which would have allowed. any private company to operate a bus service in London -

In a statement, Mr John Mac- was abandoned after a campaign against deregulation by conservative backbenchers and local councillors.

Backbenchers, including Sir Rhodes Boyson, the former Tory minister, had claimed that deregulation would have led to road congestion and fare rises in the capital.

The abandonment of deregulation was one of the clearest ment will avoid introducing legislation which does not command the support of a broad cross section of conservative

In the last parliamentary session, several key areas of the government's legislative proamme; including the ratification of the Maastricht treaty, were threatened by its thin

BRITISH COAL is today

expected to signal the closure

of its Frickley colliery and the rationalisation, possibly clo-

sure, of at least one other as it

takes its pre-privatisation clo-

sures programme to the heart

of Yorkshire in northern

The announcement that it

wants further talks with

mions on Frickley and Bentley

later in the week will provide a

significant test for the rational-

isation programme which

started last week with the pro-

posed closure of the Calverton

Yorkshire miners are tradi-

tionally the most militant in

Today's announcement fol-

lows the disclosure by British

Coal yesterday that it has

agreed in principle for the first time for a private sector opera-

tor to lease one of 20 pits which have been offered for

RJB Mining is expected to

liery in Nottinghamshire

within the next two months

licence in recent months.

the country.

colliery in Nottinghamshire.

New test for pit

closure scheme

hackbench conservative rebels. Mr MacGregor yesterday announced plans to push ahead next year with the priva-tisation of the 10 London Buses

subsidiaries and the tendering of its bus routes. This could mean that more private compames operate services in colours other than the traditional red.

sion of liabilities have been

agreed, though not disclosed.

RJB believes Clipstone has potential to be mined for at

least five years. Initially the

company will be unable to

employ more than 150 men underground, because of legal

restrictions, but could employ

at lest 200 in total. Mr Richard Budge, RJB chief, executive, said he had already

started the process of recruit-ing at Clipstone, aided by the Union of Democratic Mine-

workers. None of the outstand-

ing issues with British Coal

were expected to present any

Today's announcements on

Frickley and Bentley will

emerge as unions and manage

ment discuss prospects for all pits in the Yorkshire region.

Union leaders believe that Hat-

field and Prince of Wales pits are vulnerable, although it was unclear last night whether

they will be named for further

discussions. The Bentley pit,

heavily dependent on power

station sales, may be named

for closure, although British

Coal may seek to merge it with

problems, he said.

Report counters welfare cost fears

By John Willman, Public Policy Editor

CLAIMS that the cost of the welfare state is rising to levels that the UK cannot afford are countered in a report published yesterday by the Joseph Rowntree Foundation, the social research organisation.

The report appears a day after Mr Michael Portillo, chief secretary to the treasury, said that further increases in welfare spending could take gov-ernment spending to unsusramable levels.

The foundation says that while Britain's welfare spending has risen sharply over the last three years, it has been stable as a share of national income over the medium term. That share - about a quarter of GDP - is below the level in most other European countries, according to the founda-

The report, based on research by the Welfare State Programme at the London School of Economics, says that claims about the upwards pressure on welfare costs have

been exaggerated. Even with an ageing population and higher pension costs, the share of GDP taken by the welfare state will grow slowly, the report says. If benefit levels were again linked to earnings, the cost of the welfare state would rise by 5 per cent of GDP over the next 50 years.
This is no more than the increase in welfare spending in the last three years, according to Mr John Hills, the report's author. "There is still a wide range of policy options open to

Scaling down the welfare state would hit more than just the poorest in society according to the report, he said. Many relatively well-off people depend on the health service and social security system during times in their lives when

income is lowest. "If the aim of policy remains one of holding down welfare spending as a percentage of GDP, hard choices may have to be made about entitlement to

Animation aims for emotions

A WELSH broadcaster, a Russian film company and the BBC are aiming to cash in on the market for cultural car-

Operavox - a series of six animated classic operas condensed to half-au-hour - is the result of a collaboration between the Welsh language channel S4C, BBC2, and Russian production company Christmas Films.
Two films – The Magic Flute

and The Barber of Seville were produced in Moscow, with the other four - Carmen Rigoletto, Turandot and Rhinegold, made in the UK.

Music for the films, which are deliberately targeted at a non-opera-going audience, has been recorded in Welsh and English by the orchestra and chorus of the Welsh National Opera. Transmission in the UK is set for next Easter.

The companies also announced that they were already in pre-production on series called The Old Testament - The Animated Tales, set for transmission in

above fashion in clothing, are more group is likely to have important have been affected by recession.

economic effects, because weekly

expanditure per person, at £124 last

year, is highest among those

income than younger people on food, household goods and motoring, and

less on housing, fares and clothing.

Their spending plans were less likely

than those of younger people to

They also spend more of their

between 50 and 64.



and possibly before Christmas.

However, the study says those in

the "third age" divide sharply

between white collar and profes-

sional people in well-paid jobs, who

are cushioned by occupational pen-

sions and early retirement schemes,

and manual workers and the

long-term unemployed, many of

But many more men than women

whom suffer real hardship.

Consumer profile emerges of the blooming Third Age

narticularly if they are employed. People aged over 50 become less concerned with being seen as successful, stylish or streetwise, emphasising instead qualities such as being trustworthy, responsible, and sensible.

more satisfying than ever before,

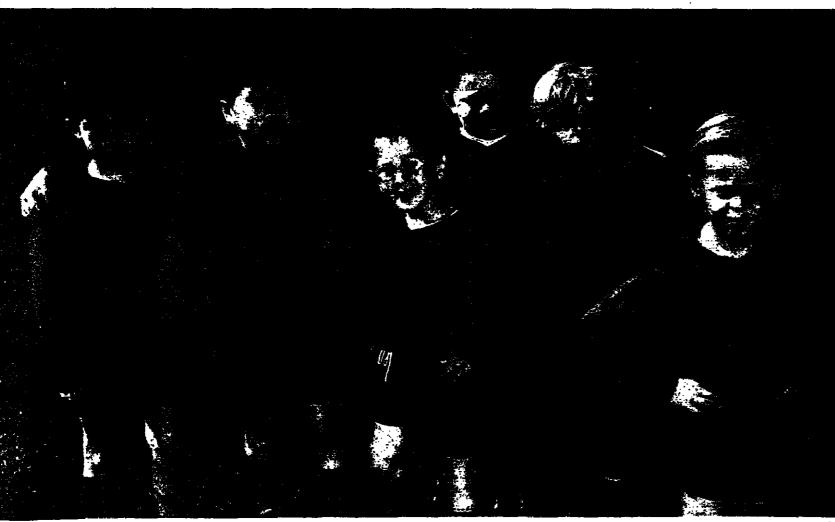
More employed people in their fif-

over the age of 50 say they find life look forward to retirement. And according to Mintel half those aged between 45 and 54 say they would like to pay for their funerals in advance, but only a third say they have up-to-date wills.

Consumers of all ages say they are confused by manufacturers claims for environmentally friendly products and think them an excuse to

OUR MANAGEMENT TEAM

MANAGEMENT MEANS MORE THAN JUST COPING WITH DAY TO DAY BUSINESS. THAT'S WHY OUR MANAGEMENT TEAM KEEPS A SHARP



Горего или а гере восаль гостымию Самона слемы, чилене меловорых солгасть Crain Report N.V., PO. Box 2262, 1180 E.G. Austready, The Netherlands

EYE ON THE FUTURE. AFTER ALL, OUR **DECISIONS TODAY AFFECT TOMORROW'S** WORLD. DECISIONS ON WHICH INNOVA-TIVE BUSINESS PRODUCTS WILL PROVE TO BE MOST USEFUL TO SOCIETY. WHICH MANUFACTURING PROCESSES WILL HELP PROTECT THE ENVIRONMENT. WHICH AREAS OF RESEARCH WILL RESULT IN A MORE PROSPEROUS LIFESTYLE FOR LOCAL COMMUNITIES. WE'VE ALREADY MADE A PROMISING START. WITH MORE ECO-FRIENDLY OFFICE EQUIPMENT. THE DEVELOPMENT OF HEALTHIER COMPUTER DISPLAYS. AND CARTRIDGE RECYCLING. BUT WE'VE STILL GOT A LONG WAY TO GO. EVERY STEP HELPS.



Report

Video with chips

n the infant world of multimedia - where sound, vision, and computing data are converging to create a new branch of electronics - there are plenty of technological hurdles to be overcome before the products are relevant for most consumers.

VideoLogic, a UK company, said yesterday that it had removed one by developing com-puter chips to speed up and enhance films in software form so their quality on a computer screen is equal to that on television. This is aimed at helping move multimedia from a niche to a mass market including small business and home users as well as big companies and organisations.

"At present," says Trevor Wing, marketing executive of VideoLogic (owned by Avesco), "software video can only play movies at small postage-stamp size. The demand is for full

motion and full screen."

A video shot at 30 frames a second drops to only three a second when blown up to computerscreen size. The new chips, Powerplay and Powerstream designed with IBM - can be built straight into personal computers' graphic systems to acceler-

ate video speed.
"Publishers will introduce thousands of CD titles during. the next 12 months and many of these will include software mov-

ies," says Wing. The multimedia chips, which will be shown at next week's Comdex computer show in Las Vegas, have stimulated interest among PC makers worldwide, he adds. They will be priced low-enough for manufacturers to be able to incorporate them into new PCs cheaply. Powerplay will be marketed at \$25 each for batches of 1,000, though companies can negotiate lower prices

for mass use.

Most multimedia applications are in the training and retail areas; new ones will be in computer games, education and publishing. "These new products really fit fairly and squarely in the everyday user category," adds Wing Deliveries will start at the end of January.

Andrew Fisher

ans-Joachim Jäger leads the way through the piles of sandstone rubble wedged between the remains of the wall anchor which once supported the high altar of Dresden's Frauenkirche and a solitary column. "I promise you, we will rebuild the Frauenkirche," he says determinedly. Jäger, an engineer from the east

German state of Saxony - the capi-tal of which is Dresden - heads the team charged with restoring the Frauenkirche (Church of Our Lady) to its former glory. Construction took 21 years and was completed in 1743. Allied bombing destroyed it on February 13, 1945.

That night, the inner city of Dres-den was destroyed. Yet the Frauenkirche, designed by George Bähr, survived the impact of the bombs. It was only when fire engulied its interior, causing the steel supports in the construction to expand and the stone surfaces of the columns to chip that the 97m-high edifice caved

The former East German commumist regime decided not to restore the Protestant church or remove the remaining rubble, to symbolise the futility of war. But after unification, the people of Dresden decided to rebuild the baroque church. "It symbolises a new beginning," says

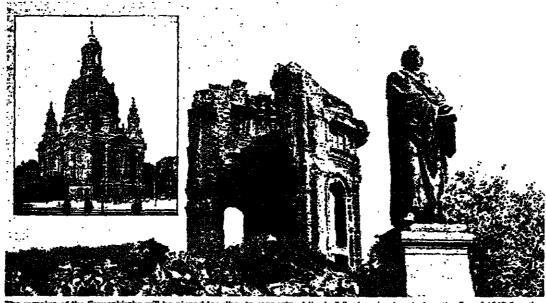
Jäger. The task of rebuilding the Frauenkirche appears immense. Jäger and his 80 engineers and construction workers intend to rebuild the eight columns in the interior and the remaining 16 columns flanking the aisles and sides of the church. The columns were structurally connected to the walls of the portals and corner towers by wrought-iron anchors.

Bahr, who left copious notes on the construction and design of the church, wanted to distribute the load across the 24 columns, with the four corner towers absorbing the weight from the dome. The dome, carved in sandstone and weighing 12,200 tonnes, was Bähr's crowning engineering and architectural feat. With the dome in place, Bāhr wrote that the church would have the effect of "a single stone right from the bottom to the top", like the structure of a pyramid.

The weight of the stone dome had caused problems. When the cupola had been first mounted, cracks appeared in the masonry of the sup-porting structure and modifications were made. Further efforts to strengthen the columns and stone work were carried out in the interwar period when damp and cracks were discovered. Between 1939 and 1942, significant reconstruction work was undertaken to reinforce the columns with flat rolled steel

hoops.

Jager betrays no anxiety about the challenge of hoisting the dome



Rising up from Dresden's rubble

German engineers are rebuilding a 250-year-old church destroyed by allied bombing, writes Judy Dempsey

on to the reconstructed pillars. He says the church will be stronger and more stable than the original. thanks to modern technology. Reinforced steel girders, stronger than the wrought-iron anchors, will

support the dome. The reconstruction of the church will be carried out in phases. Initially, all archive material on the original design and construction of the Frauenkirche is being gathered. "We have many of the original plans and designs, as well as numerous photos," says Eberhard Burger, director of the site.

Once this material has been collected, the team will move to the second phase which involves removing 21,200sq m of rubble spread over 3,220sq m. This will take several months. Jäger reckons about a third of the rubble (about 210,000 pieces) can still be used. The rest is too badly burned or reduced to amail stones or dust. As each stone is removed, it is measured, numbered, described and its location recorded. The information is then fed into a computer. "Slowly, we build up a picture of what stone fits where." explains Burger. One of the many computer print-outs depicts how a column will be partly

reconstructed with the stones pulled out of the rubble. Any missing stones can be replaced by local

sandstone quarries.

Many stones, however, are chipped, if not badly damaged by the fire. Again, Jäger says this problem can be overcome. "There is a great craft tradition in Germany. Indeed, I believe the craftsmanship tradition has survived longer in eastern Germany because we did not have access to modern technology." He and Burger have been involved in restoring churches in Saxony since the early 1980s. Both engineers say they will not restore any blackened stone to its former light colour. "These burnt scars will

serve as a memory," says Burger. Some of the stones and beautiful ornate work on the Corinthian columns and vases which served as stabilisers and decoration are repaired on site or in workshops throughout Saxony. The craftsmen rely on photographs and designs of the Baroque period on which the Frauenkirche was modelled. They also rely on extensive diagrams from the inter-war years, when repairs were undertaken. Jäger points to some finished sandstone vases. Depending on the complex nature of the restoration, we can complete some of these repairs

within two days.

Once the rubble has been cleared and catalogued, the team will know what is missing and the extent of the damage. The engineers will have a clear idea about the technological problems involved in rebuilding the structure. "The aim is to secure as much original material as possible so that we can reconstruct nearly an exact rep-lica," says Burger. The team will then start rebuilding, financed, he hopes, by a worldwide fund-raising campaign to collect DM300m (£122m). Jäger says work should be completed by 2002, four years ahead of Dresden's 800th anniversary.

But there are still decisions to be made, particularly for the interior. The organ, played by JS Bach when it was installed in 1736, cannot be

The planners think they will reduce seating accommodation from 2,500 places (in addition to 2,000 for standing) to about 2,000. They dismiss any idea it will be difficult to fill the seats given the

fall in attendances. "The people of

Dresden will come," says Jäger.

"That is the least of our problems."

New objective for software

Claire Gooding looks at a flexible program, geared to clients' needs

hen Software 2000, a
US company, tried to assess the evolving needs of customers four years ago, it was faced with a problem. Users wanted constant improvements to their existing packages, while prospective buyers were looking for mething new.

To solve the dilemma, Software package using the latest programming techniques of object-oriented software. This would offer companies a more

flexible and simple system. With the recent launch of its new accounting and software product based on this technology, Software 2000 has become the first software house to bring such

a package to the market. Software programs based on object-orientated design are easy to use, with on-screen icons and windows like most personal computer software of the 1990s. But a big difference is that such programs can be used in many different hardware situations,

from mainframe to PC. in software terms, "objects" are prefabricated chunks of software that can be used again and again, making programs easier to write and maintain. An object view presumes that any transaction or business operation starts with an object and gives a choice of related activities. An object can be any item used by anyone in their everyday work. Activities to do with that object - information, an invoice, even a diary date for a customer - are all options attached to that object. A user simply picks the relevant activity.
All the information about one

object is stored in one place. This contrasts with the usual practice in which each application, such as purchasing, sales and forecasting, is handled separately. Most object-oriented products

on the market are software tools: systems components such as databases and development aids. Many big corporations have adopted the technique to bring disparate applications into line.

Before rewriting its package, Software 2000 asked people at all levels of responsibility what

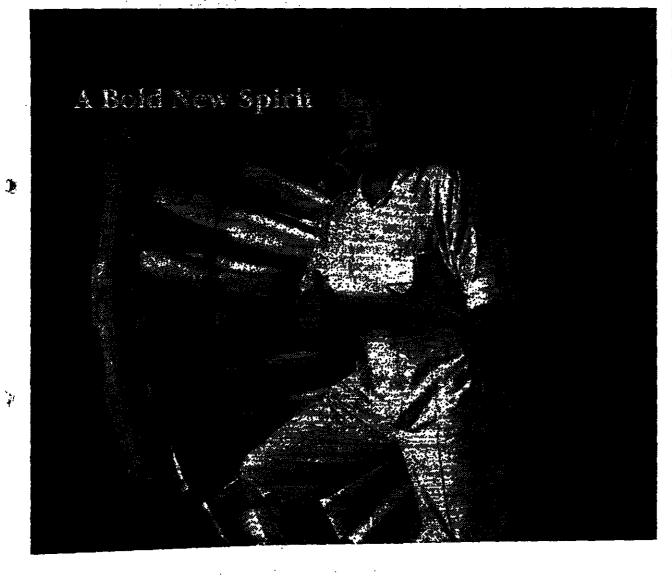
they sought from such a system. Everyone wanted immediate access to information, speed and the ability to interact with people on the telephone and deliver information wherever it was needed. "We put our software through its paces in a 'usability lab'," says Michael Hunt,

Software 2000's chief executive. Accessibility to information was the feature that convinced Baxter International, the US healthcare group, to spend an initial \$500,000 (£331,125) on Software 2000's revamped personnel package. Baxter's reorganisation in 1992 emphasised European rather than local control for operations in the region. Managers in its five business lines became responsible for profit and loss, which made information about salaries and other employment costs a critical

part of the European picture. "We call it a human resources system, but it's really a business system because line managers will have access to it," says Bert den Breejen, Baxter's Netherlands-based director of human resources. Typically of Baxter's new structure, he also has responsibility for

pan-European systems. Den Breeien argues for a devolution of personnel responsibilities to line managers. The Software 2000 implementation at Baxter will give up to 1,000 managers easy access to the European-wide information they need to assess and react to the ever-changing deployment of staff. Previously, the 16 national offices in Europe, all using different personnel systems to manage the 7,000 regional employees, could not supply information to fill vacancies, estimated at between 700 and 1,000 annually. Now, personnel staff will spend less time on administration and more on problem-solving.

The object-orientated software not only capitalised on Baxter's use of existing IBM AS400 computers and PCs, but also allowed for local tailoring for national regulations. No other software supplier, says den Breejen, could satisfy that need with easy-to-use software.



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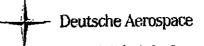


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Dependent on the overdraft

Companies must rethink long-term financing, writes Richard Gourlay

wner-managed businesses in the UK are still depressingly dependent" on the overdraft as a means of financing their long-term development, according to a survey* carried out by the accountancy firm Touche Ross.

This reliance increases with the size of the business, the survey of 264 companies with sales of 25m to £150m shows. The report, however, suggests that banks are becoming more interested in taking an active lending stance. It also shows them

becoming more professional in increasingly using computer models to test profit projections and demanding more evidence of sound planning.

On the whole, owner-managed businesses appear to be reducing their external borrowing but they remain constrained by high gearing. Peter Morgan, Touche Ross partner responsible for owner-managed businesses in London, says he is pessimistic about the chances of many raising

money as the economy recovers. "Banks are often criticised," he says. "But many busines are being run by people who lack management skills. Someone with a reasonable proposition, decent nagement and good advice wili get a hearing from banks."

During the year under review - most of the companies in the survey had March 1993 or December year-ends – all but the largest owner-managed busin

reduced their gearing ratios. The most heavily dependent on external finance and also found new funds harder to raise.

All sizes of companies increases their level of trade creditors on average by 10 per cent - but not because they were growing. While squeezing creditors

provided some cashflow relief interest costs were still eating on average a hefty 44 per cent of operating profits.

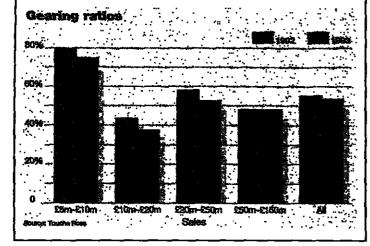
Perhaps the most revealing

section of the report is the list of the methods companies least like to choose to raise money. Businesses most want to avoid factoring, followed by venture and development capital. Leasing and hire purchase came next, with the sale of equity and commercial mortgages "least disliked" apart from the bank overdraft.

Equally alarming for Touche Ross is the apparent lack of professionalism it found. Only a third of companies said they planned to raise new money over the next two years. Yet nearly half expected to grow at between 6 and 15 per cent over three years. Touche Ross believes this is unrealistic. For every £100 increase in sales, it says, an average manufacturing company will need £25 of extra working capital (stock and debtors less creditors), even before increases

*Finance for owner-managed

in capital spending.



As prices for Mittelstand companies tumble, David Waller offers advice for potential buyers

Now's the time to buy German

in decades to buy a small or medium-sized German company.

Recent research* published by Coopers & Lybrand shows that the market for corporate acquisitions has turned dramatically in favour of the buyer. The report suggests that the number of deals in the German mergers and acquisitions market shrank by 12 per cent last year, as the number of companies for sale increased substantially.

According to Peter von Windau, head of DGM, a large consultancy firm specialising in advising the German medium-sized company sector, prices for companies have dropped between 20 and 40 per cent

over the past year.

This reflects the severity of the economic downturn, which has forced many owner-managers of Mittelstand (medium-sized) companies to consider selling up.

Potential buyers are thin on the ground; bigger German groups, which in better times might have been natural purchasers, have had to pull in their acquisition horns, whilst foreign companies have been put off by Germany's economic problems. Buying a company is not easy and the first piece of advice for a potential buyer is to hire an adviser, preferably one who speaks fluent German or is German.

mentality of the seller. As David Young of Deutsche Bank merchant banking subsidiary Morgan Grenfell pointed out at a recent conference, this is likely to be very different from that of the typical buyer, an Anglo-American manager working for a stock-market listed company.

The most important thing to know is that money is not everything for the owner of a German private company. "A third- or fourth-generation owner often does not need the money and it can be an insult to try to persuade him to talk by promising an excellent

price," explains Young.
Loyalty to the company he has built up over decades, to the community in which it is based and in which he lives and to the workforce are likely to be more important. Any proposal with an opportunis-

tic, asset-stripping flavour is likely to be given short shrift. As Young puts it, the owner will feel the company is likely to be destroyed, with disastrous consequences for his standing in the local community. This view is strongest in respect of English and American purchasers who are famed [in Germany] for their short-termism," he adds.

Often, the owner will speak perfect English - but do not on that account imagine he thinks like an Anglo-American businessman. The

at all, Young recommends. An initial meeting should focus on a more limited objective, such as exploring joint venture possibilities in a cartain segment of the market,

Make sure the agenda for the meeting is established in advance; that whoever attends from the buy-er's side is senior enough - and old enough - not to deal a blow to the owner's sense of self-esteem; never cancel. Cancellation at the last minute would be considered an irrepa-rable breach of business etiquette. Aim to develop a relationship

with the target company over the medium-term. "How and where you raise the issue of whether the owner wishes to sell is very like a marriage proposal and very much depends on how the relationship is progressing," he says. "The advan-tage of discussions about co-operation is that it is a fairly short step to suggesting that this is backed up with an equity shareholding." Having taken the plunge and

received a favourable reply, the would-be buyer will encounter new The key issue is to obtain the elementary financial information

which can be used to establish a basis for an offer price. German companies are required to file a copy of their audited profit and loss account with the German equivalent of the UK's Companies House.

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Lybrand report, though, most com-panies, particularly the smaller ones, pay no heed to these requirements. Probably 90 per cent of com-panies do not bother with the filing. Having persuaded the vendor to part with his accounts, the pur-chaser will have to adjust the accounts to reflect commercial reality. German accounts are driven primarily by tax considerations and are likely to understate the company's true profitability. "It is therefore important in price discussions that both foreign buyers and Ger-man vendors ensure that they are referring to the same figures," Coopers counsels. "This is best achieved by normalising the results and by both parties agreeing to the

Perhaps the most sensitive issue. is the owner's tax position. Morgan Grenfell's Young explains, many owners of Mittelstand companies have "an obsession with taxes which only comes with living in a country with high nominal tax

Under German tax rules, selling a business outright can give rise to a substantial "wealth tax". But Young says tax considerations may drive many entrepreneurs to sell their businesses next year in the hope of avoiding an extra 7.5 per cent solidarity tax which is to be imposed for one year from January

*Coopers & Lybrand: M&A in Ger

Going solo with business advice

has been slow to get off the ground, is how Geoff Smith, chairman of the Keighley Business Forum in West Yorkshire, describes

So, he says, with northern can-dour: "We decided we would just get on with our own version."

One-stop shops, recently given the brand name Business Link by the government, seek to bring together under one umbrella the array of local business advice

organisations. They are generally set up by Training and Enterprise Councils in partnership with local bodies such as chambers of com-

Birmingham and Leicester are among 11 shops which have so far received formal approval, but Keighley is not one of them.

History might have been different if nearby Bradford Tec and its chamber of commerce had been able to unite the local partners last year in time to make a bid. It was then that the Keighley Business Forum decided to go it alone. An important consideration was that many services and information sources available 12 miles away in Bradford were not accessible to Keighley.

Bolstered by a report into the economic requirements of the town, the forum established the centre, which opened last mouth, using contributions totalling £30,000 from its 85 member companies and

248,000 from Bradford Tec. Full-time director Iam Copping, who used to work for Scottish &

callers to the relevant experts in the chamber of commerce, Bradford Tec, the local Asian business forum or the local authority's Economic Development Unit.

The ambition of the forum extends beyond providing advice in a centre. "We want to persuade those companies considering leav-ing Keighley to stay and persuade companies thinking of relocation to consider us," says Copping.

Not having much spare cash the forum's members have done a lot of

Newcastle Breweries, can direct unpaid footwork. A small delegation recently visited the South African embassy to discuss possible joint ventures and trade opportuni-

ties between the two.

Keighley's is a brave effort, but public funding is unlikely until the forum can demonstrate to the Department of Trade and Industry that there is an equal partnership with the other players, such as Bradford Tec and the chamber of

Lisa Wood

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Further particulars of the proposal, the terms of reference for the study and information on the format expected for applications may be obtained from: Dr R E McGuigan, Pro-Vice-Chancellor, University of Ulster at Jordanstrum, Shore Road, Neutownabbey, Co Antrim B137 OGB. (Tel: 0232-365131 Ext 2164).

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PEOPLE Lee comes out of retirement | Non-executive

Julian Lee is back in business.
One of those who can reasonably lay claim to having spot-bankers Charterhouse, eventu-linance director, ted the onset of recession, Lee presided, in 1990, over the highly successful sale of Bricom, a two-year-old MBO from British & Commonwealth, and subsequently retreated to his working farm in Sussex.

Lee then spent a year at agricultural college, and, apart from picking up the non-executive chairmanship of Carpetland at the beginning of last year, the 48-year-old chartered accountant had stayed out of business. Around six months ago, he started attempting a

ally found the Hollas Group, a small Manchester clothing and

textiles company.

Tony Lawson, who had been
chairman and chief executive. says that, at the age of 62, and after 42 years with the business, he had been considering bringing in a new chief executive, but he had intended to stay as executive chairman. When Lee came on the scene, however, "it was obvious that he was going to be number one. After some thought, I agreed to become non-execu-

Roger Wallwork, 60, the finance director, is also retiring and is replaced by Paul Baddiley, 41, who was Lee's

> of financial posts at BTR. In Hollas, Lee has a group with "nil gearing that makes profits in every company", Lawson says, and hence a suitable vehicle for acquisition-led growth. Lee, who is setting up the bare bones of a head office in London, will reveal the substance of his strategy when Hollas reports its interims at the beginning of January.

finance director at Bricom, and

had previously held a number

Lady Thatcher takes unpaid job at chamber

Lady Thatcher, the former Colgate Palmolive, to Iain Val-British prime minister who tends to be held in higher regard overseas than at home, has underlined her special relationship with America by join-ing the international advisory board of the British-American chamber of commerce.

There are plenty of chambers of commerce which are bigger than the British-American Chamber (founded in 1920) but its relatively small size is overshadowed by the composition of its advisory board, which is chaired by Sir Allen Sheppard, chairman of Grand Metropoli-

The membership of the 36strong board ranges from Sir Dennis Weatherstone, president of J.P. Morgan, and Reuben Mark, chairman of

Coaches tend to get treated as

an afterthought when the plan-

ners sit down to devise or tin-

ker with transport networks.

One proposal currently being

studied is to ban coaches from

the overtaking lane of motor-

ways, an idea which would

have a disastrous effect on

Alastair Dick, newly

appointed director of group

planning at National Express, Britain's largest scheduled

coach operator, hopes to

change all that. He wants to

see the needs of coach opera-

tors taken more into account

and an early task will be tofight the overtaking proposal.

their journey times.

lance, chairman of BT, and Sir Richard Greenbury, chairman of Marks and Spencer. Apart from being the first ex-

prime minister to join the board, Lady Thatcher is also the first woman. Thomas Wyman (right), executive chairman of S.G. Warburg & Co Inc, has also joined the board

Members of the advisory board are not paid, but the responsibilities are not particularly onerous. The board only meets twice a year, once in London and once in New York.

Although some 500 US companies are members of the British-American chamber of commerce, roughly twice the number of British corporate members, there are more Brit-

Dick boards National Express

implement his ideas.

Airport last August.

Dick, 57, has worked as an

external consultant to National

Express for some time but has

now been brought on board to

Express at an interesting time

for the company, it was floated

on the London Stock Exchange

last December and has since

been expanding, acquiring its Dutch partner in a pan-Euro-

pean coach consortium and

taking over the operation of

East Midland International

for the past 18 years as an says.

He moves to National



ish members on the advisory board. Given Lady Thatcher's strong following in the US, her arrival there may help the chamber of commerce achieve its ambition of getting an equal balance on the board.

forecasts made for the Channel

Tunnel project and has also

worked on the planning of a network of toll motorways for

He sees his main task in

bringing together the different

specialists involved in big

transport projects.

The technical side is often

the easiest part but, as the

British government has

recently found to its cost, mak-

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the Hungarian government.

McCarthy & Stone. Colin Horan, a retired at EUROCOPY. independent consultant. He ■ Lord Colwyn, president of the Natural Medicines Society was involved from the cutset in the passenger and revenue

monitor".

INTERNATIONAL ■ Michael Woodhead chairman of Birkby and Fairway Frozen Foods, at S.

■ Alan Ward, a partner with Stoy Hayward in Birmingham, at TIPTON & COSELEY BUILDING SOCIETY. Rod Turner at MANGANESE BRONZE,

having resigned as finance director in order to join a port planning and has worked financial backers is trickier, he management buy-in elsewhere;

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The appointments come in the context of the firm's plans to join the market; until now. Lord Elienborough has been the only non-executive direc-

Stuttaford, 64, is a director of Invesco, General Portfolio Group and several investment trusts. He has, however, given up his role with Brown Shipley since the investment manage ment side was sold to Capital House. Gilchrist, 43, has a background in pensions and investments and is a vice president of the National Association of Pension Funds.

Alan Wesley, chief executive of Towry Law, says it is important to the company to be "Cadbury compliant" and have the right numbers of executive and non-executive directors but emphasises also that both appointments had areas of expertise which would bring 'added value" to the board.

He highlights particularly Stuttaford's European knowledge, and says that Güchrist's experience will be important because the company wants to increase the pensions part of its business. Stuttaford says he is keen to take an active role in offering comments and ideas: "I don't see myself just as a

 Sir Peter Walters, former chairman of BP, at SAATCHI & SAATCHI COMPANY. Bill Stone has resigned from director of Charterhouse Bank,

and the Arterial Health Foundation, at CORTECS

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Telecoms across the borders



Justice has interpreted Rome treaty provisions relevant to cross-border trade and competition in the

French and Belgian markets for telephone equip-ment, cordless telephones and walkie-talkie radiocommunication

The cases involved prosecutions for possession or marketing of telephone and radiocommunication equipment without the requi-site national authorisations or type approval.

The court has confined its rulings to confirming that the Euro-pean Commission's 1988 directive on competition in the telecommunications terminals market will be infringed only when such prosecutions are brought in the situation where national standards-fixing authorities also compete as pro-

viders of services or equipment.
The competition rules applicable to public undertakings granted special or exclusive rights by a member country may also be infringed in these circumstances. but not if the body fixing, rather than enforcing, the technical standards in issue is genuinely inde-pendent of any public or private undertaking competing in the relevant equipment or service market.

The court said that approval of equipment by the competent authority of another member country made no difference. In the absence of EC level harmonisation of telecommunication and radiocommunication systems, the approval by one member country did not guarantee that the equipment in question would not interfere with the operation of the systems in other countries with different technical standards.

Where authorisations are required to be obtained from a minister responsible for government radio frequency supervision, the treaty ban on import restrictions does not apply if there is a right to seek judicial review of any refusal. Moreover, the rules on state commercial monopolies do not apply, since there is no discrimination against imports.

In the French cases, the rulings were given in the context of criminal proceedings enforcing the

permitted to be connected to the French state telecoms network which prohibits the marketing of telecoms terminals without the

appropriate type approval.

The defendants argued that French law infringed EC directive 88:301 EEC on competition in the telecoms terminals market on the grounds that the French authority responsible for fixing technical standards was not independent of the body operating the public telecoms network and which itself marketed terminal equipment.

The court said that the 1988 directive required member countries from July 1 1989 to ensure that the fixing of technical standards, their supervision and type approval of equipment were car-ried out by bodies independent from public or private undertakings involved in the commercialisation of telecommunications equipment or services.

This requirement was infringed as, at the relevant time, different departments of the French minis-try of posts and telecommunications were simultaneously responsible for the commercial exploitation of the public network the fixing of technical standards. supervision of conformity and the approval of terminal equipment.

With regard to the position before July 1 1989, the court confirmed that the EC competition rules applicable to public undertakings were infringed when a member country grants the under taking operating the public telecoms network the power to fix the standards for telephone equipment and to supervise the conformity with those standards by operators with which it competed.

In two Belgian cases, the court said the treaty rules on free movement of goods and commercial monopolies were not applicable in the context of the Belgian law applicable to radiocommunication equipment. However, the Belgian government admitted that the 1988 directive's requirement of independence between regulator and commercial operators was not satisfied by the law after July 1

C-69'91, Decoster et al, C-92'91, Taillandier, C-16 90 and C-93;91. Lagauche et al. ECJ FC. October 27

BRICK COURT CHAMBERS.

estrictions imposed by businesses on employees, preventing them from poaching clients and staff after they have left the company, have produced a steady stream of court battles. But two recent, conflicting decisions by the Court of flicting decisions by the Court of Appeal have thrown this area of the

law into confusion.

In October last year, the court gave a judgment in J A Mont (UK) v Mills that appeared to tighten furming the state of the stat ther the accepted approach to inter-preting restrictive covenants. The court ruled that where a restrictive covenant imposed by an employer on an exemployee was clearly too wide and was therefore unenforceable as an unreasonable restraint of trade, the court would not attempt to find within it some narrower and more reasonable restriction that

But in August this year, in the case of Hanover Insurance Brokers v Shapiro and others, a differently constituted court appeared to cast doubt on what it called the "unsympathetic approach" adopted by the court in the Mont case.

On this occasion, the judges indicated there were circumstances where the court could legitimately look behind what appeared on the surface to be an unenforceable and unreasonable restraint, to find the true intention of the parties. The court also raised questions over the enforceability of clauses that seek to prevent the poaching of staff by ex-employees, in the most detailed treatment of the subject by the courts since 1959.

While the HIB case does not create a precedent, it does make the law of restraint of trade less certain According to Mr Peter Frost of Herbert Smith, HIB's solicitors, lawyers had always advised their corporate clients that restraint clauses had to be drafted very carefully. because any ambiguity would be interpreted by the court in the employee's favour. After the HIB decision, that may no longer be the case. In particular, where the clause has been inexpertly drafted, the courts may now be prepared to give the benefit of the doubt to the

The HIB case concerned four exemployees: Mr Monty Shapiro, the chairman and a consultant, Mr Paul Anscombe, managing director, Mr Peter Rose, a director, and Mr David Knowles, a manager. Each of the defendants had a service agreement with HIB, which contained provisions restricting their activities for 12 months after the termination of their employment.

The action was brought by HIB to enforce those restrictions. The four defendants were trying to carry on a business of insurance broking through another company.

Although the service agreements

Robert Rice explains the confusion over restrictions on ex-employees

When worker turns poacher



broadly similar. The thrust of the restraints was that, for 12 months after leaving HIB, the four men should not canvass, solicit or endeavour to take away from the company the business of any of its customers or clients who had been customers or clients in the 12 months prior to their leaving. They were also banned for 12 months

from poaching any of HIB's staff. HIB obtained an ex parte injunction, which the defendants unsuccessfully attempted to have set aside, first in the High Court and then in the Court of Appeal.

The High Court did, however, reject the injunction insofar as it related to poaching HIB staff, and so the Court of Appeal also had to deal with a cross-appeal by HIB. which sought to have the restric-tion on poaching staff reinstated.

The issue of the proper approach to the construction of restrictive covenants arose in relation to the appeal by Mr Rose and Mr Knowles. They had argued that the restraint on canvassing and soliciting was unreasonably wide and therefore unenforceable. This was because the reference in their service agreewere not identical, they were ments was not to soliciting or tak-

ing away from HIB the business of HIB's customers, but to soliciting or taking away from Hanover, HIB's parent, or its subsidiaries the business of Hanover's or its subsidiaries' customers. Hanover, the court said, could be described as a conglomerate.

It was conceded by counsel for Mr Rose and Mr Knowles that the "business" referred to in the phrase "canvass, solicit or endeavour to take away the business" was meant to refer to the business of insurance brokerage and not to any other business carried on by Hanover or its subsidiaries.

This was plainly right, the court said, and it followed that the ban on canvassing and soliciting was only meant to apply to HIB's, or Hanover's, insurance broking clients.

Yet at first sight, Lord Justice Nolan said, the covenant was written so as to protect the Hanover group and all its businesses. As such, it was plainly too wide and unenforceable, he said.

To allow the restriction to stand, therefore, would involve the court adopting a more flexible and supportive approach to the interpretation of the restriction than the

According to Mr Frost, the message sent by the court in allowing the Rose and Knowles canvassing restriction to stand was that, where the type of restriction was appropriate, the clause had not been drafted by lawyers and, in all the circumstances of the case, it was clear that both sides knew what the clause was meant to mean, then the court might be prepared to give the employer the benefit of the doubt.

But the court was not prepared to adout the same liberal experses to

adopt the same liberal approach to the construction of the restriction on peaching HIB staff. The judges said the restriction as drafted would have applied to all employees of HIB irrespective of their expertise or seniority and would have applied to those who were employees at the time they were poached even if they had only become employees after all the defendants had left

s such it was much too wide and amounted to "a mere covenant against dants", which the court would not

The court was not prepared to accept HiB's argument that an insurance brokerage and the goodwill of its husiness depended on its staff and that this was a legitimate business interest meriting protection. tion. The court was not even prepared to entertain that HIB had a paren to entertain seriously arguable case on this point sufficient to grant an injunction until the issue could be argued in full at trial.

Having taken a liberal approach on the interpretation of the Rose and Knowles canvasting clause, the court's position on the cross-appeal appeared somewhat contradictory. But according to Mr Frost, the real reason for rejecting the cross-superiors that the court simply did not like this form of restriction.

Citing a 1959 case, the judges said: An employee has the right to work for the employer he wants to work for if that employer is willing to

for if that employer is willing to employ him."

That must cast doubt on the validity of any clause against the poaching of staff. Mr Frost said. Until now it had been thought that employers had a legitimate inherent in maintaining the stability of their workforce, particularly where they had invested considerable time and money in training, and that this money in training, and that this legitimate interest could be pre-

From now on lawyers would have to advise employers that there was little they could do to stop amploy-ees from working for anyone they wanted to work for, he said. Indeed the HIB judgment as a whole will necessitate a reassessment by bustness of its strategy towards

court had shown in the earlier Mont | LEGAL BRIEFS



Law Society calls for end to tribunal limits

The recent decision of the European Court of Justice, forcing the UK to remove the statutory £11,000 cap on compensation in sex and race discrimination cases, has prompted the Law Society to call for limits to be lifted in all industrial tribunal cases. Mrs Janet Gaymer, a partner

of City solicitors Simmons & Simmons and bead of the society's Employment Law Committee, says tribunals cannot offer justice if they cannot offer proper compensation. The present Et 1,000 limit in non-distrimination cases should be more than £30,000 just

to keep pace with wage inflation since 1975, she says. The society believes tribunals should be able to compensate people in full, whatever the nature of their claim. But if the government is not prepared to change the law, it should at least increase the maximum award levels to take account of inflation Industrial tribunals are also hamspered, says Mrs Gaymer. because they cannot take account of a person's earnings over \$205 a week, so anyone carning more then fine for a year is likely to lose out. The only correct course for for anyone.

ent is to remove Cadbury rebuff

A survey of 3,000 companies in the IE shows that 43 per Louist of finited cohejenies any not impactly to fall with the Outbury Report on corporate previous, he spite of the fact that they will soon have to disclose note compliance. The fact that they will soon have to disclose min-compliance. The fact that they will soon have to disclose min-compliance. The fact that they will soon the fact that in the fact that it is the fact that is not the fact of companies that to seek legal actific the long that to seek legal actific the long that to seek legal actific the long contracts of employment and

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Reviewing Julian Opie and Richard Wentworth, William Packer challenges the 'It is Art if I say so' syndrome

an accolade, a celebration of a life's work. And when the happy artist is but ten years into his career, still in his early thirties, by how much more should his distinction match our astonishment and applause. What new Raphael, after all, what Van Gogh, what Modigliani has swum into our ken? The reality is rather different.

Julian Opie is 35, a product of the Goldsmiths' College, was picked up by the Lisson Gallery upon his graduation in 1982. Within a year he had enjoyed his first one-man show in London and taken part in group exhibitions at the Tate, Riverside exhimations at the Tate, kiversine and the Serpentine in London, and in Rotterdam. Only a year later he had exhibited in London again, and Cologne, Quebec, Basel, Paris and Tokyo, the next year Sydney, Paris, Ravenna, Jerusalem, and so on ever time. This year it has been Celes since. This year it has been Oslo, Copenhagen, Milan, "Machines for Peace" at the Vanice Biennale, and now this.

His luck was to be in the right place, at the right time, with the right people, at just the moment when the great self-fulfilling curatorial imperative of modern British art was again, well, self-fulfilling. The world is so interested in our shown no young painter in its pavil-ion at Venice for more than 20 years. Asked why the Turner Prize should have favoured sculpture so heavily in recent years, Nicholas Serota, of the Tate, said with disarming ingenuousness: "Oh, but we

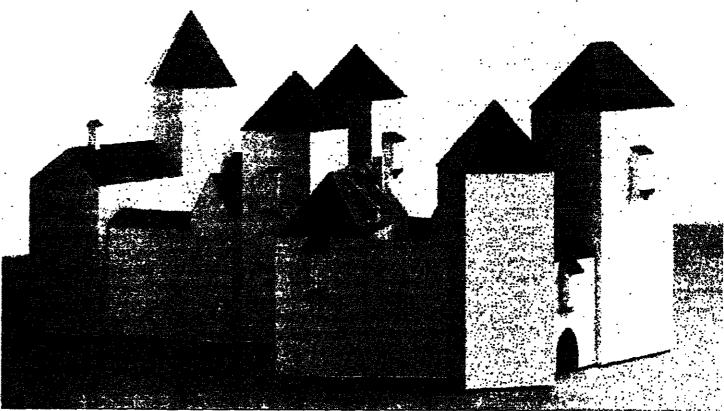
are so strong in sculpture at the moment." It has become a reflex. Opie's work has always been idea-led, founded in conceits and doubletakes, which has accorded well with the spirit of the times, for all that the wit was ever somewhat heavy-handed. He began by folding metal sheet into various illustrative configurations, painting them in a joidly perfunctory manner. A pile of books totters and falls - "Incident in a Library": a row of bags and cases sits on the floor - "Project for Heathrow": a stack of outsize penclls, protractors and rulers leans

wonkily together - "Broken Rules". His interest then turned to more abstracted exercises in which simple steel elements, painted with all the subtle invention of the Smartie tube, were combined in ambiguous shelf or bench-like relation, as of ultra-modern furniture. The work then indeed became ultra-modern furniture, that of the office and factory - ventilator grills, cabinets,

The expect a retrospect as we offer it nothing else. Moore the exhibition at a major public gallery to be something of an accolade, a celebration that the more and support that the something of an accolade, a celebration that the British Council has ago. "It is Art; a separation of the British Council has ago." It is Art; a separation of the British Council has ago. "It is Art; a separation of the British Council has ago." It is a the separation of the British Council has ago. "It is a the separation of the British Council has ago." It is a the separation of the British Council has a special to the separation of the British Council has a special to the separation of the British Council has a special to the separation of the British Council has a special to the separation of the separation of the separation of the separation has a special to the separation of the s ventilator grill if you say it is a ventilator grill. Heads I win, tails

> Latterly Opie has turned to making model houses, churches, farms and castles, all realistic in the sense that a doll's house is realistic, with anonymous cream walls and grey roofs. Or he disposes outsize sets of children's building blocks as though they were office blocks in city cen-tres. Latest of all come the outsize toy motorway sets with their loops and arches in solid grey concrete. We are to "Imagine we can order these", "Imagine it is raining" or "Imagine we are driving". A computer graphic display takes us round the bend and on for ever through a wide, featureless, mindless landscape, signifying nothing.

Richard Wentworth, ten years older, is from the same conceptual stable, though a long-time teacher at Goldsmiths' rather than its product. His work too is that of the visual rum and the test of the object in its everyday self. He produces no image or reproduction, no suggestion that the plate or broom or redundant desk of his tableau is anything but what it is. It is only in its redisposition, its imaginative displacement, that it becomes a thing



Realistic in the sense that a doll's house is realistic: 'Fortified Farm', 1993, by Julian Opie

anew. The aesthetic is one of elegant playfulness, often mannered and self-indulgent to a fault, yet redeemed by the sharpness of the wit and the fastidious rigour of its formal presentation. His has been art on a knife's edge, teetering now to the trivial, now to the banal or obvious, but keeping its balance,

But just how long can Wentworth go on playing the same old tricks? Elegant variation is quite as much a visual as a literary fault and there are few, as Fowler tells us, so

widely prevalent. "It is the second-rate writers, those intent rather on expressing themselves prettily than on conveying their meaning clearly...that are chiefly open to (its) allurements". it would be unkind, yet, to condemn Wentworth as second-rate, but is a certain desperation setting in. This is not a full retrospective, but the ideas already repeat themselves and only

the scale develops. The pun gets no funnier in endless repetition, least of all in being shouted louder. Bigger is not better.

Wentworth's "Cumulus", a clutch of china plates on a glass shelf held precarious and high by an upturned ladder, had its proper and persuasive sculptural presence, the more so for being so delicately put. Now at the Serpentine, another high shelf slopes down the length of the gallery with its fragile burden:

"Lips and Fingertips". So what? Large and twisted sheets of corrugated metal lie together on the gallery floor, punctured only by houselike boxes on their underside. His "Toy" sardine-tin, of 1983, let into its solid steel bath, was somewhat more succinct a statement of the same device. A proper retrospective would have told him so.

Julian Opie: Hayward Gallery, South Bank Centre, SE1, until February 6, then to the Kuntsverein,

Richard Wentworth: Serpentine Gallery, Kensington Gardens, W2, until January 3, then to Bristol, 's-Hertogenbosch and Calais; sponsored by Principles and the Expan-

Miller's 'Falstaff'

imen

ison

Andrew Clark finds the doctor back on form in Zurich

fter a string of dud opera productions around Europe over the past year, Jonathan Miller has come up with a fleet-footed. funny and affectionate Folstoff in Zurich. The key to his success lies not so much in the homogeneous cast or the intimate scale of the Zurich Opera House - though each play a part. No, the chief distinction is Miller's faithfulness to the spirit of Verdi. He preserves the period setting, keeps the humour alive and paces each scene with the same sleight of hand that characterises Verdi's musicking of Shakespeare The result brings to mind Miller's

landmark staging of Le nozze di Figuro for the 1991 Vienna Festival. Falstoff may not reach quite that exalted level, but it too is the product of second thoughts (he first staged Faistaff for Kent Opera in the 1970s) and enjoys clear dramatic lines. Without being untrue to Elizabethan England, Miller has turned to the paintings of 16th century Dutch masters for his visual inspiration. Peter Davison's sets - a succession of simple, spacious interiors against a backdrop of oak trees and matchbox townhouses - have the light and depth of a Bruegel landscape, in which the characters are at one with their natural environment. Bardolph and Pistol are Gothic bumpkins straight out of Hieronymus Bosch, and Clare Mitchell's authentic costumes look comfortably

Miller's view of Falstaff is refreshingly benign. He listens to the music and takes Sir John at face value - an incorrigible optimist, a personification of the life-force, a figure of fun whose ageing girth houses an equally large appetite for wine and women. The boastful interviews at the

Garter Inn with a flirtatious Quickly and



The Garter Inn scene: Jonathan Miller has remained true to the spirit of Verdi in his new production

the disguised Ford are sprinkled with wit, while the hunt in Ford's house develops a farcical momentum of which Brian Rix would be proud - Falstaff's first instinct is to take cover under Alice's dress, and it is only with great effort that he can be squeezed into the launory passes. From "Mondo ladro" has its amusing side, as ed into the laundry basket. Even Falstaff hobbles around barefoot under a moth-eaten blanket. Miller's imagination occasionally gets the better of him - Dr Caius spends much of the evening swotting flies, and one of Ford's retinue turns up with a field-telephone - but never enough to compromise the evening's uncluttered appeal. Falstaff is sung by the Spanish baritone

Juan Pons, who is now experienced enough in the part to have the timing and physical mannerisms exactly right. His voice is handsome and reliable. He wears the paunch, the balding ginger wig and outrageous plumed red cloak convincingly. All he needs is the larger-than-life personality that

distinguishes the finest interpreters. Alice, sung by Gabriele Lechner with charm and femininity, has a girth almost as big as Falstaff's and a sense of humour to match. Birgit Remmert's Quickly is tall and sexy - no wonder Falstaff welcomes her advances - and the voice has star quality. Rodney Gilfry struggles with Ford; Laszlo Polgar and

Volker Vogel make a scene-stealing pair of rogues. Fenton and Nannetta, roles which always find their interpreters in first blossom, are sung by Reinaldo Macias and

Isabel Rey. After 35 years in Zurich, it was about time Nello Santi conducted Falstaff there, but his experience proves double-edged. The music is beautifully paced, the dynamics kept admirably low - but the mercurial spirit of late Verdi eludes him, and the reading is inexplicably short on swagger. No matter this is a worthy addition to Zurich's Verdi repertory, and - with his ENO Rosenkavalier less than three months away - a timely return to form for Miller.

Opera/John Allison

Tchaikovsky's 'Cherevichki'

day was an imaginative contribution to a Tchaikovsky commemoration otherwise largely lacking in enterprise. The centenary of the composer's death (which fell the day before) has been duly marked, but few audiences will have gained fresh insights into Tchaikovsky's work. Opportunities to explore the neglected byways of the composer's output have been missed, familiar music has been aired over and over again.

This year opera houses around the world have seen a proliferation of Onegins. No Western company seems to have ventured Mazeppa or The Maid of Orleans. Chelsea Opera Group, which in the past has given memorable concert versions of both, might this time have dusted off The Enchantress or The Oprichnik, But Cherenichki ("The Tsarina's Slippers") was still a good choice: last month (as David Murray reported on this page) it was the hit of the Wexford Festival - anyone who encountered it there will have welcomed another chance to hear it - and, importantly, Tchaikovsky himself thought highly of it, calling it "musically well-nigh my best opera".

helsea Opera Group's concert performance of Cherevichki at the Queen Elizabeth Hall on Sunextensive revision of his 1874 Vakula the Smith), producing a score of uniformly high inspiration. Deeply influenced by folklore - it is a setting of Gogol's Christ-mas Eve - the work is full of colourful, lyrical earthy music. It remained the composer's only comic opera. The fantastic plot, familiar to London opera-goers through the recent ENO staging of Rim-sky-Korsakov's later setting of the story. was clarified at the QEH in Arthur Jacobs's lively translation. Three singers stood out. With a husky

mezzo, Ann Atkinson was delightful as the witch Solokha, and Jonathan Veira sang robustly and with relish as the Devil. Peter Sidhom was a splendid, solemn Potemkin. Though taxed by the demanding role of Oxana, Alice Hyde made a credible heroine - and the slight edge to her voice suggested authentic Russian

Both the Vakula and Chub, roles requiring larger-than-life singers, were undercharacterised. The conductor, Martyn Brabbins, welded his forces - including a ragged chorus - with flair and Tchalkovskian feeling.

Whitbread finalists announced

I his is the book prize season. Tonight the winner of the Esquire-Volvo-Waterstone Non Fiction Award will receive £5.000. Next Tuesday the Sunday Express Book of the Year will make one writer £20,000 richer.

Yesterday the finalists were announced for the Whitbread. Bach of the five nominated authors received £2,000. On January 25 1994, one of them will get another £21,000 as winner of the Whithread Book of the Year. The Whithread covers the literary field. with a candidate for each section. They were: for biography, Andrew Motion for

Philip Larkin, A Writer's Life; for a

children's novel, Flour Babies by Anne Fine: for a first novel, Saving Agnes by Rachel Rusk; for a novel, Theory of War by Joan Brady, and for poetry, Carol Ann Duffy for her collection, *Mean Time*.

The judges obviously have no prejudice against women. A feature of the Whitbread is that its chosen novel hardly ever appears on the Booker list. Theory of War tells of a white boy sold into what amounts to slavery in post-Civil War America. Brady is a former dancer with New York City Ballet who has lived in Devon for over 20 years.

Antony Thorncroft

INTERNATIONAL

MANSTERDAM

Concertgebouw Tonight: Gerard Oskamp conducts the Netherlands Philharmonic Orchestra in works by Musorgsky, Glazunov and Sibelius, with violin soloist Emmy. Verhey, Tomorrow, Thurs, Sun afternoon: Wolfgang Sawallisch conducts Royal Concertgebouw Orchestra in Brahms, Britten and Richard Strauss, with violin soloist Maxim Vengerov. Tomorrow and Sat (Kleine Zsal): Julllard Quartet. Sat afternoon: Oliver Knussen conducts Schoenberg Ensemble in Goehr, Knussen and others. Sat evening: Rafael Orozco is piano soloist with Zagreb Philharmonic Orchestra. Sun evening: Alfred Brendel plays Beethoven sonatas. Mon: Sawallisch is planist in a chamber music programme with members of Royal Concertgebouw. Next Tues: James Galway is soloist with Saint Louis Symphony Orchestra (24-hour information service 020-675 4411 ticket reservations 020-671 8345) Muziektheater Tomorrow, Sun afternoon: Christophe Housset

conducts Pierre Audi's new production of L'incoronazione di Poppea, with a cast headed by Cynthia Haymon and Brigitte Balleys peated Nov 16, 19, 22, 25, 28, 30). Thurs, Fri, Sat. Anne Teresa. de Keersmaeker dance programme (020-625 5455)

ANTWERP

Trisha Brown Company is in residence at deSingel from tomorrow till Sun (03-248 3800). Wolfgang Sawallisch conducts Royal Concertgebouw Orchestra in works by Brahms, Britten and Richard Strauss on Fri at Queen Bisabeth Hall (Antwerp 93: information 03-226 9300; tickets 070-233233)

BRUSSELS

Monnaie Tonight, Thurs, Fri, Sun afternoon (also Nov 16, 18): Antonio Pappano conducts Guy Joosten's new production of Carmen, with Kathryn Harries and Richard Margison. Sat. François Le Roux song recital (02-218 1211) Palais des Beaux Arts Tomorrow: Cecile Ousset plano recital. Sun: Matialav Rostropovich is cello soloist with Walloon Chamber Orchestra. Next Mon: Brodsky Quartet, with pianist Christian Biackshaw, plays Prokoflev, Shostakovich and Dvorak (02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY Georg Solti conducts two weeks of concerts at Orchestra Hall. Thurs,

Fri, Sat: Hungarian programme. Nov 18 and 23: Stravinsky, Mendelssohn and Beethoven. Pierre Boulez in residence Nov 26 to Dec 14

CHICAGO LYRIC OPERA This month's repertory consists of Peter Half's production of Cost fan tutte, with Carol Vaness, Delores Ziegler, Keith Lewis and Jeffrey Black (next performances tomorrow and Sat); Tosca with Maria Ewing (final performance on Fri); and a new production of Die Walkure opening Nov 23 (312-332 2244)

Grand Théâtre Tonight, Thurs, Sun

■ GENEVA

(also Nov 16, 19, 21); Jesus Lopez Cobos conducts Jerome Savary's new production of La Cenerentola. with a cast headed by Jennifer Larmore and Rockwell Blake (022-311 2311) Victoria Hali Tonight, tomorrow, Thurs: Gerhard Oppitz plays Brahms piano works (022-310 6611). Fri: Jesus Lopez-Cobos conducts Lausanne Chamber Orchestra in Handel, Rheinberger and Haydn. Nov 17: Radu Lupu (022-311 2511) Comédie John Millington Synge's 1907 tragi-comedy The Playboy of the Western World can be seen daily except Sun and Mon till Nov 20, in a French-language production directed by Claude Stratz (022-320

■ CHENT

Flanders Opera presents concert performances of Samson et Dalila on Nov 12, 14, 16 and 18. imre Pallo conducts a cast headed by Vladimir Popov, Florence Quivar and Jean-Philippe Lafont (091-225

THE HAGUE

AT&T Danstheater Thurs, Fri, Sat: Nederlands Dans Theater in a new work by Gideon Obarzanek, plus choreographies by Kylian and Lightfoot (070-360 4930)

LAUSANNE

Tokyo Ballet brings Maurice Béjart's latest choreography to Théatre de Beaulieu on Sun. The next production at Théâtre Municipal is Gounod's Mireille, opening on Nov 21 for five performances (021-312 6433)

■ VIENNA

wien Modern Vienna's contemporary music festival runs throughout November, with special emphasis on Penderecki, Takemitsu, B.A. Zimmermann and Erich Urbanner. Other composers represented in the coming week are Gorecki, Jonathan Harvey and George Benjamin. Most events are at the Konzerthaus, except tonight's **Budapest Symphony Orchestra** concert conducted by Andras Ligeti and an Austrian Radio Symphony

Orchestra concert conducted by

Musikverein (712 1211)

Marc Andreae on Set, both at the

OTHER CONCERTS Viktoria Mullova gives a violin recital tomorrow at the Musikverein. David Shallon conducts the Vienna Symphony Orchestra in works by Mahler and Bernstein tomorrow and Thursday at the Konzerthaus. Colin Davis conducts Dresden Berlinz on Saturday at the

DANCE/OPERA A new production of Kenneth MacMilian's ballet Manon opens at the Staatsoper on Sun. This week's opera repertory consists of Lucia di Lammermoor tonight, Die Zauberflöte tomorrow, if trovatore on Thurs, L'elisir d'amore

Konzerthaus, Leif Ove Andsnes.

Monday at the Musikverein with

plays Grieg's Piano Concerto next

Bergen Philharmonic Orchestra (505

■ WASHINGTON

Sat (51444 2955)

 Washington Opera's 1993-94 season opens at Kennedy Center Opera House on Sat with Donizetti's Anna Bolena, starring Nelly Miricioiu.

Repeated Nov 15, 18, 20, 23, 26,

on Fri and Madama Butterfly on

28 (202-416 7800) Zdenek Macal conducts National Symphony Orchestra tonight at Kennedy Center Concert Hall in a programme including Rakhmaninov's Second Piano Concerto (Tzimon Barto), and on Thurs, Fri afternoon and next Tues in symphonies by Berlioz and Howard Hanson. Alexander Lazarev conducts Bolshol Orchestra on Sat

in a Tchaikovsky programme, with soprano soloist Maria Gavrilova

THEATRE Dancing at Lughnasa: Brian Friel's award-winning play about five Catholic sisters based in Donegai 1936. Tili January 2 (Arena Stage, Kreeger Theater 202-488 4377)

 Back to Methuselah: G.B. Shaw's cycle of plays begins in the Garden of Eden and ends in the distant future. Opens on Thurs for a 10-day run (Washington Stage Guild 202-529 2084) Tartuffe: Red Stage Company's production of Moliere's comedy opens for a two-week run on Fri (Smith Theater 410-964 4947)

ZURICH

Opernhaus Tonight, Fri, Sun afternoon: Nello Santi conducts Jonathan Miller's new production of Faistaff, with a cast headed by Juan Pons, Tomorrow: Die Zauberflöte. Thurs, Sat: Cosi fan tutte. Sun evening: Bernd Blenert's production of Nutcracker (01-262

Tonhalle Tomorrow and Fri: Zoltan Pesko conducts Tonhalle Orchestra in Liszt's Faust Symphony, paired with Mozart's Flute Concerto (Günter Rumpel) tomorrow and John Congliano's Clarinet Concerto (Michael Reid) on Friday. On Thursday: Theodor Guschibauer conducts the Strasbourg Philharmonic Orchestra in Berlioz, Chausson, Saint-Seens and Roussel, with violin soloist Miriam Fried (01-261 1600)

ARTS GUIDE Monday: Berlin, New York Tuesday: Austria, Belglum, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Ger many, Scandinavia. Thursday: Italy, Spain,

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pean Time) MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financia Times Reports 0630 Wednesday Super Channel: Financial Times Reports 2130

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half-year results tomorrow, the numbers will be examined with more than the usual scrutiny by industry and Westminster.

The results are the last before Professor Stephen Littlechild, the industry regulator, decides whether to refer National Power and PowerGen the other large generator in England and Wales, to the Monopolies and Mergers Commission over criticism that they have abused their market nosition. A referral would have widespread repercussions.

One potential casualty would be government finances. Trea-£5.5bn from privatisation sales in 1994.95 would be more difficult to achieve. More than £3bn of the total is expected to come from the sale of the government's 40 per cent stakes in National Power and PowerGen. But a referral, and the ensuing lengthy inquiry, could post-pone the sale until 1995-96.

A referral would also cast another cloud over the government's privatising strategy: this year the commission has recommended widespread changes to the structure of British Gas, another privatised utility, and the gas market to which it is the main supplier.

Within the electricity industry, many executives believe a referral would trigger a wider inquiry by the commission into the entire power market. This could include the regional electricity companies, which, like the generators, were privatised in 1990, and the National Grid, which transmits power in

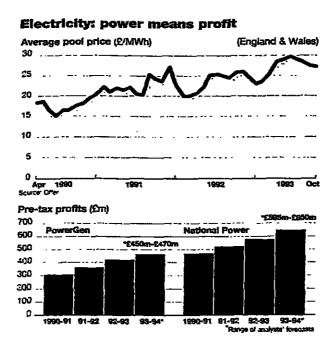
England and Wales. The prospect of a wider investigation is unsettling both for the industry and for the government. The industry will be looking today for some reassurance from National Power that it is doing all it can to avoid a referral; for example, by demonstrating a willingness to compromise with Prof Little-

child on issues such as prices. Prof Littlechild's public pledge to make a final decision on a referral by the end of this year, rather than by the 1995 deadline he had previously set, was prompted by rises in spring of more than 10 per cent in the prices of electricity in

the wholesale trading pool. The pool, set up prior to privatisation, sets a wholesale price for electricity for each half-hour of the day after matching expected demand with supply. The main influence on price is the bid submit-

Finer balance of power

Michael Smith on a possible MMC referral for the UK electricity sector



ted by the generating companies for the most expensive generating station needed to ensure that demand is met.

The generators acknowledge they are responsible for at least some of the price increase but deny that they are making excessive profits as a result. Most consumers have been

unaffected by the spring rises because the price of their electricity is determined by interrelated fix-priced contracts, agreed in advance, between electricity companies. But the increases badly hit many industrial consumers whose electricity bills are determined directly by the pool. Companies such as Imperial Chemical Industries, which has seen its electricity bill rise by 70 per cent at some plants in the past two years, have demanded action from both the govern-

ment and Prof Littlechild. Satisfying this chorus of complaints from industry is likely to be one of Prof Littlechild's most difficult tasks since he became regulator three years ago. He has grown increasingly suspicious of the generators and their pricing nolicies. When announcing his investigation into a possible referral in August he said the generators' ability to raise prices in the pool was a matter

Prof Littlechild is a strong believer in competition and. like many others, including ministers, believes the market is too dependent on National Power and PowerGen for supplies: at their peak two years ago the two generators accounted for about 80 per cent of the market, though their share has since slipped to less

"He (Prof Littlechild) is pathologically ill-disposed to the market structure, and will be until our share is well down," says an executive of one generator. However, in three previous inquiries into pool prices in the past two years, Prof Littlechild has found no evidence to support claims that the generators have abused their market power to a significant extent. To critics, such as the big consumers, the generators'

profits growth since privatisa-

tion is confirmation that their

Power increased pre-tax profits by 13 per cent last year to £580m, and PowerGen by 18 per cent to £425m; both companies are expected to record sig-nificant growth this year.

"These are high increases for companies that are providing an oversupplied market," says an executive at a non-genera-tor power company. "The prob-lem is that generators decide what profits they want to make, and can, because of the lack of competition, set their prices accordingly."

The generators say their profit rises are partly the result of improved efficiency. They point out that their rate of return on capital is less than that for regional electricity companies on their distribution businesses, which are

"The issue is not whether we exercise market power but how we do so." according to National Power. "To the extent that we do possess market power we exercise it in a transparent and principled way."

In determining whether he accepts this statement Prof Littlechild has been provided with confidential figures by the generators. Unless the figures reveal overwhelming price abuse, most City observers believe he will try to force change on the generators that falls short of a referral.

A referral would set in motion a process over which the regulator would have limcontrol. The danger is that the commission could reject his recommendations, which could include splitting up the generators or limiting their powers in other ways.

The two most obvious options for Prof Littlechild are the imposition of price controls, or asking the generators to sell some of their generating plant in an attempt to reduce their market power. Both are fraught with difficulty.

National Power and Power-Gen may baulk at price controls and forced sales of generating plant. They have said publicly that they are willing to discuss disposals but poten-

tial buyers have their doubts. In the circumstances, Prof. Littlechild could be attracted to a third option: doing nothing. Even this would not be easy. Having conducted his review he has raised expecta tions, not least among heavy industrial users, that he is going to do something. "Prof Littlechild has huffed and puffed so often now," says one broker. "Having teed it all up he is going to look a right Charlie if he does nothing.

Joe Rogaly

Nanny's desperate smacks



this. I had thought that Mr John Major's "back basics" speech of a few weeks ago was of party confer-ence nonsense, well suited to bit of mischief.

soothing his audience, but nothing to do with running the country. That has now been contradicted by weekend reports that the prime minister eally meant it - that he has, indeed, sent a round-robin to his cabinet telling it so.

Mr Major's purpose, we are informed, is to switch the focus of political debate from the economy to social policy. In the 1980s the Conservatives challenged economic orthodoxy. Now, in the 1990s, they will tackle the areas of social policy in which, it is noted in tones of horror, "theorists" have dragged professionals and administrators away from common sense. The government will act. It will reduce crime, weed out "trendy" teachers, retrain social workers, light a bonfire of regulations. make divorce more difficult for parents with children, and, as to unmarried mothers, stand at the council house doorway. arm outstretched, index finger pointing back into the snow.

It is hilarious. Downing Street works late and out come these teaspoonsful of populism, served up as the long-awaited warm draught of long-term strategy. Let us sip a spoon at

The forthcoming deregulation bill will remove many small irritants, but that is overdue tidying up, not a phiosophy of governance. Most Tory administrations slash away at old regulations, although some wait too long for heavy agglomerations to build up. I spent an hour on Sunday cutting accumulated

trunk. This does not make me a landscape gardener. We are also promised two criminal jus-tice bills. Voters know, or will discover, that nothing the home secretary has yet announced is likely to prevent a single criminal outside the ranks of those temporarily detained from doing his or her

I have fulminated as much as anyone against the "child-centred" teaching methods of the 1960s, but, as the national curriculum takes hold, loony classroom practice is becoming yesterday's issue. If not, what have the Tories been doing about education these 14 years? True, social workers are

impopular. For this they have themselves to blame. Their **Downing Street** fault is their unwillingness or inability to come these their profession, or at least one that outsidup as the warm ers can underdraught of stand. We may be

government plans to modify teacher and social worker training. It would be more apposite to write these long-suffering professionals down as convenient scape-

The most curious items in

encouraged by

the list are those relating to divorce and ione parenthood, two elements in every package of policies for "the family". Like the autumn rains, pamphlets and speeches on this eternal subject patter ceaselessly down upon my desk. "The traditional nuclear family breadwinner father married to the full-time mother of their dependent children - is a minority pursuit," said Ms Pat-

ricia Hewitt, the deputy direc-

tor of the left-inclined institute

for Public Policy Research, in a thoughtful lecture delivered in May, "Reports of the death of the nuclear family are exagger-ated," writes Mr David Willetts, the Conservative MP for Havant, in a "Contemporary Paper (available from W H Smith, 7 Holbein Place, London SW1 8NR). First elected in April 1992, Mr Willetts was quickly made a member of the select committee on social security. He carries the bags of Sir Norman Fowler, the chairman of the Conservative party.

Ms Hewitt and Mr Willetts could prove their apparently contradictory assertions by the judicious use of statistics. The former's definition of "nuclear" alludes to families in which the mother is not working; the lat-ter includes all

households

works late and out headed by a married couple. Confused? Enter Mr lan teaspoonsful of Lang. secretary populism, served for Scotland. "It is important to recognise that the family unit is not always what it was 30 mildly long-term strategy

ago," he told Conservative women in Perth on Saturday. When the smelling-salts had been applied, he added: "We can wish it was not so. But we cannot just wish it away... the situation today appears to be less stable than before, but are people on the whole less

chancellor, Mr Kenneth Clarke Mr Lang has given the game away, although probably with-out meaning to. "In going back to basics," he said on Saturday. we should not pretend that the only family values worthy of the name are to be found in the traditional nuclear family." He has surely been reading Ms Hewitt. My own view is that this is a field in which the gov-

happy? I doubt it Another

doubter, one suspects, is the

ernment should treat extremely carefully, if at all There may be a case for altering the divorce laws so that couples with children are obliged to go through various hoops before splitting up. The relationship between singleparent allowances, the availability of council housing, and the propensity of some young girls in deprived areas to become pregnant is a compli-cated one. There may be an argument in favour of tightening housing and social security rules, but it should be deployed with care, and kept well away from the Treasury.

That, however, is about far as our political servants should go Personal relationships should not be the province of any government, least of all a Conservative one that has elevated the cult of the individual to the status of a new religion. The logic of it heats me. Free market prophets recoil from the idea of an national transport policy, on the ground that officials can not allocate resources as well as the market. An energy strategy is likewise rejected, for the same reason. Social engineer ing, which is what "back to basics" means if it means anything at all, is apparently the exception. In the most directly private spheres of life Conser vative right wingers aspire to

They need not be taken said ously. Mr Major's republishing of familiar policies under "back to besics" label is a cro for help. Like so many western politicisms, he needs an energy The European Commis not sufficiently threatening gone. The Soviet threat is no more. This expisies why the prime minister has put up thred old targets like "Hempstead" and "progressives" and "trendy liberals". It amacks of

THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand write

Educated idea as to omission

From Prof Arthur Francis. Sir, I realise that your omission of Scottish schools from your Top 1,000 schools ("Britain's (sic) state schools have been gaining ground academically ... ". October 30/31) was probably because many of them offer Highers rather than A-levels, though fortunately most British universities seem able to calculate equivalencies. But not to mention that you had excluded 10 per cent of the population from your survey looks very like the "And finally to Scotland ... " syndrome - the felicitous phrase that can be heard nearly every morning on the Radio 4

weather forecasts. I am, however, grateful for your omission. We moved from Oxford last year. Had you included Scottish data I would have wasted part of my weekend trying to work out how much of any difference in score between Bearsden Academy, Glasgow, and the Cherwell School, Oxford, was due to the schools themselves or to some difference in, for example, the ability of the academics' chil-

dren in the respective cities. Might I ask when you propose to publish a similar ranking of the Top 1,000 UK companies based on a single output measure? Profits per employee would do nicely. This would provide a strong incentive for firms to liquidate all non-capital-intensive activities. Never mind that this would distort industrial output and diminish our national economic welfare. At least we would all think we knew which were our best

Arthur Francis, 20 Queensborough Gardens, Glasgow G12 9PP

US lawyers victims of their own efforts

From Mr Gavin Sinclair. Sir, There is a wonderful irony in Robert Rice's article ("Tied up in claims for damages", October 19) about the concern of US lawyers at their increasing vulnerability to large damages claims. The US legal profession has encour-aged changes in law and proce-sionals, corporations, and citidures over many years which resulted in a litigation system grossly weighted in favour of the plaintiff. The effect of this has been to encourage litigation where it was not merited, and proliferate the imposition of punitive damages far out-

weighing compensation for Perhaps this new trend giv

ing the legal profession a taste of its own medicine will at last promote changes which will moderate the worst excess, not only for the benefit of the lawzens who have suffered under the present system for too long.

Cavin Sinclair. corporate lauger 67 Rockbridge Drive,

CrossRail support vital

From Mr Simon G Sperryn. Sir, I was most concerned to read in your article "Clarke wins battle over spending" (November 2) that "among the projects facing delay or cancellation were the London Cross-Rail link and the Channel tunnel rail li<u>nk</u>".

The government's innovative approach towards attracting private sector finance into public sector projects loses credibility with every swing of the pendulum. Potential investors cannot be expected to express an interest in such major projects as CrossRail while this stop-go cycle continues. We support the principle of private sector investment; within the current financial constraints the government's imaginative search for workable solutions to develop major infrastructure projects is applauded by busi-

Since the Central London Rail Study of 1989 the London Chamber has consistently campaigned for CrossRail as an London EC4R 1AP

essential tenet of London's transport network serving business commuters, the tourist industry, and the indigenous community. Recent inde-pendent reports suggest the project would lead to the creation of about 60,000 jobs in central London, a boost which Britain's capital orgently needs as the recovery is not yet assured, and the illogical political compromise over the sighting of the European Monetary Institute requires a

ment to London's future. We would urge the government to confirm its complete commitment to CrossRail the result in terms of investor confidence and the government's credibility in the eyes of London's business community of further delays would be seriously damaging.

Simon G Sperryn, and Industry.

renewed government commit-

London Chamber of Commerce

Another champion of sanity on Radio 3 From Mr Michael Wilson.

Sir. I was so pleased to read ("From 'good morning' to 'hello matey', October 30) that Clement Crisp has not surrendered in the battle to restore sanity to Radio 3. Like him, I abhor chit-chat on the radio and one could always rely on this third programme to offer a haven of word-free, musical quality amidst a world changing too fast, in directions which no one seems fully to comprehend. Much of this has now become adulterated by news, reviews and interviews, already the staple diet of Radios 1, 2, 4 and 5. Mercy, mercy! Are Mr Crisp and I the only people in the land who want to listen to music and not drown in a torrent of trivia about music? Frankly, I am not too interested in the life and | as the premier broadcasting

When will the controllers of Radio 3 come to realise that, for them, Classic FM is the most fortunate radio development of recent years? We live in an age of instant gratifica-tion where the media mogula presume and continuously affirm that our maximum spar of attention is about 10 minutes. However, as we mature intellectually and emotionally we reject this affront to our humanity and gradually turn to more demanding, more sat-isfying newspapers and radio and television programmes Classic FM is in the process of cultivating a whole new audi-ence for Radio 3; that is, if Radio 3 will return to its roots

times of the glockenspiel station of consistently rich and understudy in the Liechtenstein Philharmonic. To achieve this it must renounce its stable of critics. reviewers and interviewers who contribute not one whit to our enjoyment of the music itself, who, indeed, seriously detract from it.

If Radio 3 can find its way back on to the tracks of musical goodness and, in the shortterm at least, set aside the irrelevance of audience figures. then it will again deserve to appear in the top 10 list of "things most missed" by many expatriates. It will again stand as a beacon of British broadcasting quality in a confused world. Michael Wilson,

Danesbrook Cottage, Dayhouses, Longville

Better way of managing than cults

whether the religion of business re-engineering and the arrival of the "horizontal"

estion are good things. it is undoubtedly of cons mate interest to those "high priests" to whom Mr Lorent refers, who occurs them by writing or talking about how other people's busine should change. However, is king really of interest to the stakeholders in a "staid" boilding

Our customers (as comme ers) care about decently priced products backed by profes sional and friendly service. As members, they expect cost-offectiveness and financial strength Employees want chal-lenging and rewarding jobs and like to be kept informed about the business. Our regula tors insist on prudent manage-ment and clear controls. The government enjoys the tax derived from our increase profits, and that "bottom line" is important to credit rating 🚁

agencies ton So does it matter what adjective is used to describe organisational structure? I suspect big businesses end up with a "mixed beg" which adapts over time, but that is uninappring phraseology for anybody trying to justify a new religion.

However, quietly managing that "mixed bag" to deliver improved business and the statement of the

improved business results will perhaps attract more believers in the long run than some of the new management cults which are strong on hype bet patently unproven in purformance terms. Paul Martin

Leeds Permanent Building Society, Permanent House, i Loveli Park Road. Leeds LSI INS

lop cabs

From Mr Nigel Yaung.
Sir. Having read your republication.
Hackneyed cabbies verms rank outsiders (October M.) may I suggest Singapore have the best taxis in the world? The taxis are all new Toyotas with air conditioning and clear maters. The drivers all speak English Periodically the government ernment encourages courts campaigns. Price: 32p for first 0.94 miles and then 77p pin mile charged in increments at ap. You can book faith in phone or by fax. They are the tamly the cheapest and clean est and most civilised total Nigel Yeung

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday November 9 1993

Portillo's mini-pension

with his review of public spend-ing he shows every sign of religh-ing the opportunity to spread alarm and despondency among those who wish to preserve the welfare state. The Treasury chief secretary's declaration at the weekend that he favours greater personal provision for pensions in the 21st century looks like one more case in point. Yet this pro-vocative kite-flying does at least have the merit of ensuring that the assumptions behind spending priorities are discussed. And in the case of pensions, the assumptions that lie behind government policy look highly questionable.
Mr Portillo and his fellow minis-

ters appear to believe that social security, including pensions, takes an unsustainable share of national income. Certainly there are grounds for worrying about the recent surge in spending, which reflects the combined impact of pre-electoral promises and the extent of the recession. But over a longer time span, total welfare spending has been relatively stable, even if there has been a change in composition away from housing and education in favour of social security and health. And the effect of demography on long-run pension costs has been wildly

As John Hills of the London School of Economics points out in an admirable new study for the Joseph Rowntree Foundation on the future of welfare, the so-called demographic time bomb is relatively unthreatening. Applying today's level of welfare spending per member of the population to the age structure in the year 2041 would produce an increase equivalent to no more than 3.8 per cent of GDP at 1991-92 spending levels. To put the British welfare state in a wider context, the ratio of working people to retired people in Britain in 50 years will be higher than in any other developed coun-

try apart from Ireland. In the specific case of pensions, the Department of Social Security's own central projections show a percentage of GDP by the year 2000. Over the next 50 years, costs will rise. Yet the Hills study points out that the net effect on

population, the increasing cost of the state earnings related pension and higher basic pensions would add up to 5 per cent of GDP if benefit levels were to keep up with living standards – all of one-tenth of 1 per cent of GDP per year. The bill will actually be less, whetever the contract of MP per year. whatever the outcome of Mr Por-tillo's review, because the government decided in the 1980s to link benefits to prices rather than earnings, claiming that demographic pressure made the present

The fact is that the present share of welfare in national income is perfectly tenable; but it may not be compatible with the aspiration of successive chancellors to reduce the share of taxation in national income. Even without reductions in taxation there must be serious doubts whether personal pensions can fill the gap that is being left by the state, as the state basic pension falls to trivial levels in relation to contemporary incomes.

Most reputable insurance companies are reluctant to provide personal pensions to those on much under £10,000 a year because they are simply not an economic proposition for the lower paid. This is because the average cost of a personal pension is high, at about 20 per cent of total contributions spread over a working lifetime. For the many who do not pay over a full working life, the expenses - chiefly the cost of maintaining an army of salesmen - will be higher. And because many insurance companies make a fixed charge, the costs rise hugely on smaller policies.

Since a majority of those who are not in occupational pension schemes earn less than £10,000 a year, personal pensions cannot provide a remotely adequate alternative to the state scheme. Yet the government appears to have no alternative to this non-alternative. Perhaps the social security secretary Mr Peter Lilley should come up with one before Mr Portillo creates an even bigger gap in the system. While it makes obvious play a growing part in pension provision as incomes increase the government cannot continue to ignore the practical shortcomings

Leaner EBRD

the public finances of an ageing of its present pensions policy.

AFTER THIS year's criticism of its leadership style and finances, the European Bank for Reconstruction and Development needed a fresh start. Changes announced yesterday by Mr Jacques de Larosière, the new president, will make the bank more effective in helping the economic regeneration of eastern Europe and the former Soviet

Mr de Larosière cuts a less dashing figure than Mr Jacques Attali, who resigned in July. But while no less attached to the integration of east and west Europe, he can also point to valuable experience and organisational aptitude. Measures to streamline operations, cut out unnecessary duplication and deploy more specialised bankers on direct project work are a useful answer to complaints that the EBRD, in only two years, had become a wasteful and cumber-

some bureaucracy.

More controversial, though still on the whole sensible, is the abolition of the merchant and development banking departments which previously handled separately private and state sector projects. Some of the boundaries between the bank's two new "north" and "south" geographical zones look a right direction.

little arbitrary. In some of the 25 countries in the bank's purview there are severe limits on the private sector activities it was set up to nurture, so the bank will need at times to place greater emphasis on public sector projects. But Mr de Larosière must ensure that the EBRD does not look ever more like the European arm of the pub-lic sector-orientated World Bank. That would raise afresh the question of why it was set up in the

Mr de Larosière will have to manage a new phase of both competition and co-operation with other international development institutions active in the same field. He is also launching an effort to discover from EBRD shareholders and outside experts more precise answers on what the bank should do and how it should do it. Vagueness over the EBRD's objectives, coupled with lack of proper controls by member gov-ermments, contributed to manage ment failings. So Mr de Larosière's spirit of inquiry, like his drive for efficiency, is welcome. His task of firmly defining a role for the bank, and then fulfilling it, is a difficult

Mirror, mirror

normally be a subject of concern to readers of this newspaper. It has been made so by the decision of two titles in the Mirror group to publish photographs of the princess, taken in a London gymnasium using a concealed camera. The subsequent decision by the Mirror Group's national titles to pull out of the Press Complaints Commission throws the future of self regulation of the UK press

into doubt.
In publishing the pictures, the
Mirror flagrantly flouted the Commission's code, of which it is a signatory. This bars intrusion into private lives except when the public interest dictates otherwise. The newspapers' defence, that they have exposed a security risk, is worth mentioning only for its bra-

Inevitably, the incident has led to renewed calls for action to curb press intrusions, a subject the government intends to address shortly in a white paper. Newspapers have argued that instead of legislating, the government should give the PCC more time to show its value. Set up in 1991, the PCC has speeded up its complaints pro-

THE PHYSICAL fitness regime of cedure and this year acted to the Princess of Wales would not make itself more robust, by giving its non-press members a majority voice and by strengthening its

The grandiose hypocrisy of the Mirror renders all of this laughable, exposing the fact that the commission has no sanctions save harsh words. Assuming that the PCC formally rules against the Mirror later this week, the board of the company should ensure that those responsible are disciplined and apologise to the princess.

Legislators, however, should note another point. Nowhere in their analyses of press intrusions is a case of the current type considered. This spy camera was installed not by a journalist, but by the gym's owner, in order to make money at the expense of a

famous customer. That underlines the most important point in the debate about press law. There is a case for criminal law against electronic eavesdropping, of which this could be considered an example, but no case for a specific law against such actions by journalists. Journalists should be neither above the law nor subject to discrimination by it.

s Chris Patten, Hong Kong's governor, pre-pares for tomorrow's UK cabinet meeting to discuss the latest twists and turns in the battle with China over the colony's political future, the local stock market is showing no signs of shell-shock.

While the past seven months have stretched to breaking point the patience of Mr Patten, as he campaigns for political reform ahead of the 1997 transfer of sovereignty to China, Hong Kong's money men have done more than break even - the colony's Hang Seng index has risen 20 per cent in the past five weeks.

This remarkable rise in share prices has happened since a visit to China by a group of US fund managers - who collectively manage \$400bn in assets - organised by Morgan Stanley, the US securities firm, in September. At the end of that month, Mr Barton Biggs, the company's chief equities strategist, set the tone when he said: "After eight days in China I'm tuned in. Less colourfully, Mr Biggs argued

that investing in China would be "the world's most profitable invest-ment opportunity for the next 10 years". With much of the country's stock market off-limits to foreign investors, he said: "The best way into the China restructuring story is through Hong Kong." This judgment will prove either

one of the most prescient of the decade - or the most misguided. Hong Kong is undoubtedly the best gateway to China, but its stock mar-ket is vulnerable to internal Chinese politics and to China's worsening relations with the western world, notably the US and Britain.

Whatever the long-term outcome for equities. Mr Biggs's remarks have had a startling impact in Hong Kong. A wave of US money has hit the colony this autumn as investors have switched away from unexciting US and European markets towards Asia.

Morgan Stanley, for instance, has increased the weighting of the Hong Kong stock market in its global equity model, a theoretical portfolio watched by investors, by tenfold, to 3 per cent from 0.3 per cent; Mr Biggs increased Hong Kong's weighting in his \$1bn "emerging markets" fund by 45 per cent to 16 per cent of total assets. Warburg Securities in Hong Kong expects a 95 per cent rise - to \$5.5bn from \$2.8bn in 1992 - in US investors' net purchases of Hong Kong equities

The love affair with Asian equities as a whole may not be limited to US funds. Nomura Securities, the leading Japanese stockbroker. recently raised \$1bn for investment in Asian equities. According to Mr Robert Rowntree, head of Nomura's regional research team in Hong ment in the colony has come from private clients acting through investment trusts. But he, and others, believe that the large investment institutions in Japan may, for the first time, be on the verge of committing large sums to Asian, especially to Hong Kong, equities.

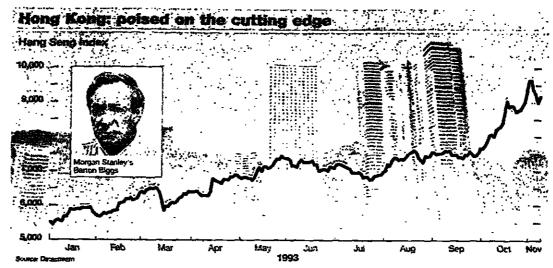
The conditions are good for Japanese investment in Asian equities," Mr Rowntree says. "The yen has peaked, and Japanese securities houses are in a position to service clients. Nomura has 60 salesmen now who know the Hong Kong and Singapore markets. By the end of 1994 we will have 200."

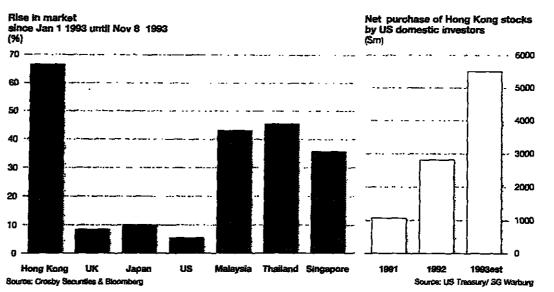
The Hang Seng's 20 per cent rise since the end of September has helped to make Hong Kong the best-performing mature market in Asia this year. The overall increase takes into account the market's poorer performance last week - when it fell by 3.6 per cent, in common with many markets around the world and its 181-point rally yesterday.

The colony has a large, liquid market, which appeals to the large US investment institutions with millions at their disposal. It also attracts foreign investors, because it has more listed companies than any other stock market in the world involved in China, the region's fastest-growing economy. It is the one, in short, most highly geared to the

Foothold on cliff of opportunity

Foreign investors are using Hong Kong's stock market as a way into China, say Simon Holberton and Patrick Harverson





rapid economic growth being experienced on the mainland. In the latest buying wave, investors have been targeting Hong Kong companies with a strong exposure to the Chinese economy.

This is especially so for the as China Light & Power, which sells electricity to China, Hongkong Telecom, the telephone monopoly in the colony with growing business opportunities on the mainland, Hongkong Electric, the power gen-erator on Hong Kong island which is expected to become involved in power station construction in China, and HSBC Holdings, Hong

Kong's biggest bank.
These stocks have performed especially well. Since September, China Light has risen 10 per cent to close at HK\$49.50 yesterday, HSBC 6.7 per cent to HK\$87, Hongkong Telecom 27.6 per cent to HK\$16.20, and Hong Kong Electric 15 per cent to HK\$24.40. As Mr John Hickling, the Boston-based manager of the Fidelity Overseas Fund, put it: "US

institutions just piled in. However, the speed with which share prices have risen has unsettled some investors and observers. They think the Hong Kong market is overvalued and vulnerable to a political or economic setback which, if it comes, could be severe. Mr Doug Johnson, senior international investment strategist at Merrill Lynch, the US securities house. says some US investors may have mistaken Morgan Stanley's forecast of a positive economic outlook in China for a forecast of a pos-

itive short-term outlook for the

Hong Kong market. "There is a good deal of indiscriminate buying taking place based on the long-term Chinese economic story." he says, "That story is very robust now, but there is a distinction between what is a good ecomarket story. They are not always consistent with each other, and it is

tors are not making." Mr Hickling of Fidelity is also cautious about the short-term prospects for Hong Kong stocks. In 1992.

The big political event this month is not Patten in London but Clinton and Jiang Zemin, China's president, in Seattle'

as much as 15 per cent of his \$1.5bn fund was invested in the market. but since then he has cut his holdings to just 1 per cent. "To me, it seems closer to the end of an oppor-tunity, rather than the beginning. I'm very cautious and don't have a lot of money there."

Many European investors share this view. According to Mr Archie Hart, head of research at Crosby Securities, a Hong Kong stockbro ker, the Europeans, having been bitten more than once, are now more than twice shy. "They have seen the property crash of 1982-83, the stock market crash of 1987 when the market closed for a week, and they

are a bit too hard-bitten to swallow it. A lot of the latest investors are new to the market. At the moment there are two views: either they are in for the long term and are buying the China concept; or they are the last people in and are due for a

Underlining such concerns are several indications that, enticing a differentiation that a lot of investhough China may appear, the Hong Kong market is showing some signs of greed outstripping its natural ally, fear.

The market rise has happened as analysts have downgraded their

earnings forecasts for the colony's corporate sector. At the beginning of the year a 20 per cent rise in 1994 earnings was forecast; a disappointing first half and economic tightening in China suggest 15 per cent growth might be closer to the mark. Some deals hint that investors may have their heads in the clouds. For example, Henderson, a large property developer, raised \$460m from foreign investors last month in the form of a loan convertible into equity in a company which does not yet exist. Henderson planned to list the company, Henderson China, on the stock exchange, but withdrew. after the exchange's listing division expressed doubts about the way Henderson's advisers had valued

development property in China. Observers lured by the deal say that, even if Henderson China is not set up, bond holders - primarily US fixed income funds - will receive a handsome yield of 6.6 per cent from Henderson over three years. To others, however, the deal is symbolic of investors buying a "concept" and not worrying about fundamentals.

• Another concern is politics. Since 1984, when Britain agreed to transfer Hong Kong to China, the known as a "political discount". This is shown up in the difference between Hong Kong's "rating" relative to other Asian markets.

investors are currently prepared to pay prices equal to 19 and 24 Asian markets such as Singapore, Malaysia and Thailand. In spite of the recent rise in prices in Hong Kong they are prepared to pay only about 14 times future earnings. This level is above the historical trend, suggesting that either the market is in the process of being re-rated upwards to south-east Asian levels. or that a savage correction downwards could be in the offing.

By the end of the year Hong Kong could be coming to terms with a rupture in Anglo-Chinese relations brought about by the inability of London and Beijing to agree a way forward for Hong Kong's political system. But even though Mr Patten is discussing scenarios for the end-game of the talks in London this week, the optimism generated by the rising market has led many to maintain that the governor and his political reforms are irrelevant.

n the words of Mr Peter Churchouse, Morgan Stanley's chief strategist in Hong Kong "Even if the talks break down, so what? Is that going to cause any blow-up in the China story? I don't think so." Others are not so sure. Says Mr Hart of Crosby: "U!timately, a breakdown in talks must have some effect. A lame-duck government for three and a half years cannot be interpreted as good

More seriously, US-China relations are strained. The US wants to see an improvement in China's human rights record - which it has linked to further renewal of China's most favoured nation (MFN) trading status. It also wants it to honour agreements to open the Chinese market to US goods and services. As one broker observed: "The big political event this month is not Patten in London but Clinton and Jiang [Zemin, China's president] in Seattle", where it is hoped that more workable relations can be

established. The loss of MFN for China would hit Hong Kong in several important ways. As the main processor of China's external trade, Hong Kong's domestic economy would suffer a loss of income by virtue of reduced trade between China and the US. Additionally, it would lose from the knock-on effects of slower growth in China feeding through to lower incomes for Hong Kong's companies on the mainland.

However, in spite of this uncertainty, the flow of US money into stemmed immediately by concerns about politics or warnings of corrections. The amount of money flowing into US mutual funds (equivalent to UK unit trusts) - possibly as much as \$200bn this year - is huge; it has to go somewhere, and a chunk of it will be dedicated to buying China through Hong Kong,

In a world starved of investment opportunities, Asia holds promising rewards: Hong Kong the most promising. "Hong Kong might be a bit frothy, but you come back to it by a process of elimination," says Mr Hart. "Hong Kong still beats most [other Asian markets] on the basis

of valuation. Says Ms Wai Chin, south-east Asian analyst at the US investment group, Scudder, Stevens & Clark: Essentially, an investment in Hong Kong today is an investment in the growth potential of China because the economies are so linked ... If you believe the economic reforms will continue in China, Hong Kong can only benefit."

That is the "if" with which investors have to grapple. For the time being, at least, it is one which an increasing number of foreign fund managers have responded to in the affirmative. As to who is the "greater fool" - those now buying or those now selling - the next 12 months should prove decisive.

FAO's food one. But his first steps are in the for thought

Spare a thought for Patrick Cunningham, one of the successful candidates for the top job at the UN Food and Agriculture Organisation. Conningham got knocked out in the first round of voting yesterday after collecting just one of the 163 So how come 59-year-old Cunningham is so unpopular? The man from Ireland has an impressive record as director of FAO's animal

> Last year, he headed a successful campaign in North Africa to eradicate a deadly animal disease known as New World Screw-worm. But in an election campaign pamphlet, FAO - The Issues, Cunningham was rash enough to suggest certain reforms that he believed were necessary at FAO. And there is scarcely anyone with

> > are necessary. So this seemed nothing new. But the present FAO boss, Edouard Saouma, took a dim view. He promptly cancelled Cumpingham's travel budget, thus rather restricting his campaigning. Worse still, he did not renew the irishman's three-year contract when it expired in August this year Given his successful attack on the New World Screw-worm, renewal

even a passing knowledge of FAO

who does not believe that reforms

production and health division.

would normally have been automatic Seems a funny way to run an election.

Pöhl in person Rarl Otto Pohl, the former Bundesbank president who quit in 1991 after a row with Chancellor Helmut Kohl and who these days runs pukka private bank Sal Oppenheim, likes to keep his head below the parapet. Today and tomorrow, however, he has been persuaded to air a

"personal view" of international

monetary policy in two Lionel

Robbins memorial lectures at the London School of Economics. Diplomacy will probably prevent Pohl dwelling on two of the more prescient warnings of his Buba presidency. In his dispute with Kohl over the costs of German reunification, Pöhl's forebodings have proved all too correct something which still rankles with

Kohl. Again, when Britain joined the ERM, Pohl personally told John Major (then chancellor of the exchequer) that the chosen exchange rate for sterling against the D-Mark was too high - a forecast in which he has also been vindicated. But the former central hanker

hardly needs to blow his own trumpet anyway, for he is already viewed with a degree of awe in London, not least at the Bank of England. Andrew Crockett, the

The second secon

Observer



someone's privacy

Bank's international director, due to be officially confirmed today as the new general manager of the Bank for International Settlements, once even thought aloud that Pöhl could take a seat on the future board of an independent UK central bank.

A pipe dream, perhaps, but two years after he stepped down from the Bundesbank hot seat, the City has probably not seen the last of Karl Otto.

UNEPotism

Reverting to the subject of the peculiar ways of UN agencies, could the United Nations Environment Programme not have looked a little further before awarding its annual \$200,000 environment prize to Mostafa Tolba, UNEP's executive director from 1976 until his retirement last year?

Tolba's successor, Canadian Elizabeth Dowdeswell, apparently expressed reservations about the choice of this year's prize-winner. However, she was unable to persuade the selection committee, nominated during Tolba's reign, to reverse its decision.

A UNEP press release said Tolba had been honoured for going "far beyond the call of duty in his commitment, dedication and contributions to the environment". Tolba does have some feathers in his cap - notably the Montreal Protocol for the protection of the ozone layer.

Back in his native Cairo, Tolba expressed neither surprise nor embarrassment at UNEP's decision to top up his pension with such a generous award. He plans to use the money to establish a National Centre for Environment and Development in Egypt. No prizes for guessing who is likely to be president.

Whitwam's path

It takes more than a few jitters on world stock markets to knock burly Dave Whitwam off his stride. The chairman and chief executive

of Whirlpool, the world's largest

white goods company, passed through London yesterday on a whistle-stop European tour to drum up interest in his company's shares. Not the best of timing, one might have thought. But Whirwam is unabashed. Having bought the Philips white goods business in 1989 and established Whirlpool's brand name in Europe, he is now intent on building up a following

among European investors. His target is for 10-15 per cent of Whirlpool's shares to be held in Europe eventually. At the moment the figure is around 3 per

Like hundreds of US executives before him, he hopes to attract that much sought-after species, the patient long-term continental investor. The species, whose natural habitat is Germany and Switzerland, has suffered a few knocks recently. But Whitwam reports that it is still alive and well.

Indeed, at the Zurich meeting, one potential investor even had the temerity to ask a question about Whirlpool's latest quarterly

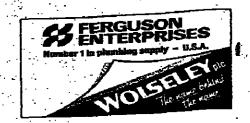
He was nearly attacked by fellow investors for asking such a short-term question.

Hopeless case

■ Anxious parent overheard in a department store in Glasgow: "Pandora, come away from that

FINANCIAL TIMES

Tuesday November 9 1993



Community unites behind tough response over Uruguay Round

EC blames US for Gatt delay

By David Gardner in Brussels

A UNITED European Community yesterday put the US in the dock for holding up progress in the Uruguay Round world trade negotiations and rallied behind European Commission efforts to seize the high ground in the last weeks of the seven-year-old talks. Foreign ministers of the 12 closed ranks behind a toughly worded summary of the state of

the talks from Sir Leon Brittan, EC chief trade negotiator, which described US and Japanese failure to match the Community's offer on market access and cutting industrial tariffs as the barrier to concluding the Uruguay Round by its December 15 dead-

France, which is insisting on better terms on subsidised farm trade and wants to keep cinema and broadcasting out of any Gatt settlement, had been expected to raise the temperature.

Instead, Mr Alain Juppé, French foreign minister, endorsed the Commission report, falling in with Brussels tactics of turning France's aggression out-wards. The Commission wants at all costs to avoid more intra-Community wrangling over Gatt, and to be able to negotiate flexi-bly on Europe's behalf.

"My optimism is enhanced by today," Sir Leon said, "in so far as there are no divisions in the Community. The Community is supporting what I'm doing."
Mr Douglas Hurd, the UK foreign secretary, praised Sir Leon's tactics, and said: "We're coming towards the end, I hope, I believe." With 37 days to go to the deadline, Mr Hurd reckoned a deal was 85 per cent done. "It's the top 15 per cent that's difficult," he said.

Sir Leon added that "the Community has an enormous amount to gain from a Gatt agreement. We should therefore seize the initiative and keep the initiative." Sir Leon also conceded that a final European decision would, in political terms, require unanimity, although in Community treaty terms trade affairs need only a majority under the EC vot-

ing system, which is weighted

according to the size of member

talks tomorrow with Mr Mickey Kantor. US trade representative on his way to meetings in Japan and South Korea. But Washington has withdrawn from further high-level contact with the EC until after the November 17 vote in Congress on the North American Free Trade Agreement. He attributed lack of progress

"essentially to the American preoccupation with Nafta", which also enabled Japan to drag its feet on opening its markets for processed foods and financial ser-

But the EC offer to cut industrial tariffs by around half, the commissioner said, had already elicited positive responses from a host of other Gatt signatories.

Euro-bank chief casts doubt on ERM

Lamfalussy to tell MEPs he will draw attention to policy imbalances

By Andrew Hill in Brussels

MR Alexandre Lamfalussy, president-elect of the European Monetary Institute, has promised to be a strong critic of "unbalanced" economic policies which threaten the European Community's objective of monetary union. In the first public indication of how he sees his role - contained in written answers to members of the European Parliament - Mr Lamfalussy also cast doubt on a return to the old European exchange rate mechanism, saying he was not sure it was "a realis-

Mr Lamfalussy is due to appear tomorrow before the parliament's

committee on economic and monetary affairs and industrial policy. MEPs must deliver an opin-ion on his candidacy before he can be formally confirmed as president of the Frankfurt-based forerunner of a European central

His written replies to the committee's questions were obtained yesterday by the Financial

The EMI will supervise the second stage of Emu, beginning on January 1 1994, and advise EC members on monetary and exchange rate policy leading up to full currency union by 1999. in his reply to the parliament's questionnaire, Mr Lamfalussy said the EMI would be more than just a passive observer of EC economic and monetary policy.
In particular, he said he would

be prepared to highlight any imbalances between monetary and fiscal and other economic policies which could jeopardise the Emu aims. "I shall make it my duty to draw attention to the risks arising from an unbalanced policy mix," he said.

He also indicated he would be prepare to bang heads together if monetary and economic policies appeared to be contradictory. He said he would make full use of the EMI's power to encourage dialogue between central banks

could be elected on the basis of

member constituencies, in line

one-person-one-vote in single-

with Mr Patten's proposals. However, the Chinese govern

ment is opposed to Britain's attempt to broaden the franchise

for the other 40 seats which will

constitute the 1995 LegCo. For 30 of these so-called "func-

tional constituencies" which rep-

resent business and professional

groups, Britain wants to expand

the franchise. It wants individu-

als who constitute the groups to

vote rather than corporate bod

rate voting which it calls a mat-

ter of "principle". The remaining 10 seats will be

selected by an electoral college. Britain has compromised by

agreeing an electoral college

structure similar to that set

down in Beijing's Basic Law - its

constitution for Hong Kong after sovereignty passes from Britain to China in 1997.

Footbold on cliff

ies. China wants to retain corpo-

Referring to last August's decision to allow ERM currencies to fluctuate more widely, Mr Lamfalussy said the currency crises of the last 18 months had removed the "disciplinary framework" which previously helped promote convergence of monetary policies.

Mr Lamfalussy said working out how to co-ordinate monetary policies effectively in such a situation would be one of the EMI's main challenges. Mr Lamfalussy, currently gen-

eral manager of the Bank for International Settlements in Basle, will head a council made up of governors of the EC central

Beijing moves closer to Patten Banks face on Hong Kong voting changes

By Simon Holberton in Hong Kong

CHINA has indicated a willingness to agree to some of the plans of Mr Chris Patten, Hong Kong's governor, for the colony's political development but London and Beijing remain far apart on his proposals to increase democracy.

It was understood yesterday that Chinese officials had suggested at a meeting with Sir Robin McLaren, Britain's ambassador in Beijing, that they might be ready to accept Mr Patten's proposals on voting age and methods, and possibly on local government election procedures.

The suggestion, which could be seen as the first sign of movement by Beijing towards an agreement, was communicated to Sir Robin last week after the 15th round of Anglo-Chinese talks on Hong Kong's political develop-ment. Sir Robin is leading the British side in the talks, which have dragged on for six months

with little sign of progress.

The latest Chinese offer has not been formally made and Hong Kong officials fear it may

Europe today

Wintry conditions will settle in the northern CIS and north-east Scandinavia as a strong

high pressure area persists over north-e Europe. The cold, arctic air will give widespread frost extending into the day and snow showers will develop. Active low pressure areas will move from the Atlantic lowards the north-eastern Atlantic regions.

Associated frontal systems will cross the British Isles causing widespread outbreaks of rain. Southern England will have sunny periods before the rain. Cloudy conditions and outbreaks of rain and drizzle will prevail over an area from the northern Alps towards

Denmark. Southern Europe will be sunny with

Unsettled conditions will slowly spread from the UK towards the Low Lands. High pressure

over north eastern Europe will slowly expand towards south eastern Europe, causing a

surge of cold air later this week into Balkan

States, Turkey and Greece. In eastern Scandinavia and CIS cold and wintry

conditions will persist. The western Mediterranean will become unsettled with

heavy rain or thundery showers.

be designed simply to muddy the waters ahead of tomorrow's meet to be decided by popular vote ing in London of British ministers and officials to decide UK policy on Hong Kong.

According to one Hong Kong official: "It is chicken feed. It has been dangled before us. They have not given anything yet." A cabinet sub-committee will be chaired by Mr John Major, UK

prime minister, and attended by Mr Douglas Hurd, foreign secretary, Mr Patten and Sir Robin. Before leaving for London, Mr Patten said the meeting would be a stock-taking exercise which for future talks with China.

Details of China's latest suggestion have not been disclosed. But it is understood to include Chinese agreement to reduce the voting age in the colony to 18 from 21 and possible agreement to dis-pense with appointed officials at local government level.

Mr Patten's proposals for politi-cal development include direct election of all members of district boards from next year.

The Chinese also hinted to Sir Robin that the 20 Legislative

limit in Russia

Continued from Page 1

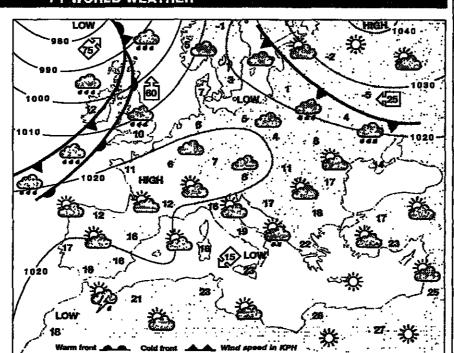
12 banks with operating licences. only three - Crédit Lyonnais in St Petersburg, Bank of Austria and the Banque Nationale de Paris/Dresdner Bank joint venture in Moscow - have opened their doors for accounts.

"The pie is certainly increasing here, and there are a dozen or two of the Russian banks which are attracting a lot of business as well as the foreign banks," Mr Fullenkamp said. The main ministers for the economy and finance have voiced strong doubts about the competition offered by the for-

elgn banks. minister for finance, said in a press release last Friday that while in general the govern ment welcomes the creation of foreign bank branches as long as ministry intended to maintain strict limits to their operations.

Mr Gaidar said in an interview with the newspaper Izvestiya last Saturday that over-hasty granting of licences could lead to daugerous and far-reaching of opportunity, Page 17 hanking sector.

FT WORLD WEATHER



TODAY'S TEMPERATURE!

Five-day forecast





Pilo Riyadh Aome S. Fraco Seoul Singapore Stockholm Strasbourg Sydney Tangler Tal Aviv Tolkyo Toronto Turnis Vancouver Venice caucy rain rain rain rain cloudy caucy fair stream sun sun tair sair fair fair car cloudy cloudy cloudy cloudy shower rain cloudy fair shower fair drzzi cloudy sun fair swody rain swo wholy sun

THE LEX COLUMN

Akzo's Nobel prize

Another commanding height of the Swedish economy is falling into for-eign hands. Yet Akzo's takeover of Nobel industries is likely to prove far less emotive than the marriage of Renault and Volvo. The financial plight of Nobel - arising from adventures in real estate rather than lack of competence in chemicals – always demanded an overseas partner. Akzo looks as good an industrial fit as the company was likely to find. The Swedish government must welcome the prospect of a tidy exit from its unwanted 70 per cent stake in Nobel at a healthy pre-

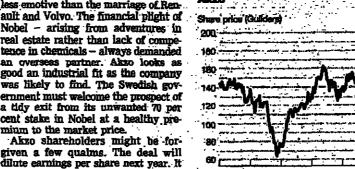
given a few qualms. The deal will dilute earnings per share next year. It brings a large share placing now and the prospect of additional supply later, assuming the Swedish governmen moves to reduce its stake in the merged company. The immediate financial benefits - such as refinancing Nobel's punitively expensive pref-erence stock with low-yielding Akzo shares — will limit the initial damage to earnings. Writing off Nobel's acquired goodwill to the balance sheet in the Dutch manner, rather than amortising through the profit and loss, will also help. But lasting benefits depend on the promised industrial synergies and cost savings being deliv-

Fortunately there is room for optimism on that score. Having started the process of cost cutting earlier than most of its continental European rivals, Akzo's management mind-set should be well adjusted to the task. If the competition authorities do not object, the merged company will overtake ICI to become top dog in Euro-pean paints. That should yield easy rationalisation in marketing and distribution. With so many shares being issued to fulfil its ambition, though, Akzo will have to come up with more than a fresh lick of paint.

UK economy

The initial impression from yesterday's producer price and consumer credit figures is that both demand and price pressures are strengthening. On closer inspection, though, this conclusion looks flawed. Consumers are shedding some of their aversion to debt, but such a development follows naturally from the previously-reported recovery in retail sales. Besides, part of September's £489m increase in connumer credit reflects building society lending in connection with business

FT-SE Index: 3077.6 (-8.0) Share price (Guilders)



expansion schemes as well as the

stronger car market. Of more consequence is whether the momentum can be maintained. In the short run, the CBI's October distributive trades survey is disappointing. One interpretation of the flatter trend is that consumer appetites will only really be titiliated by the kind of discounting which was prevalent in the summer but has since died away. That does not suggest a level of confidence able to shrug off the fiscal tightening which is already in train, let alone any

further tax increases in the budget. But consumers' caution makes infla-tion less threatening. True, there is an upward drift to the annual rate of output price rises adjusted to exclude food, tobacco and petroleum. At the retail level, though, food price infla-tion should be dampened by competition among the supermarkets, while manufacturers' input prices are still falling. There would be room for rate cuts, if the chancellor has the courage to risk the blow to consumer confidence by raising taxes in the budget.

Associated British Foods, the UK's biggest manufacturer of daily bread, must be praying for a miracle to deliver it from the evil of price competition. Yet, if anything, the market is about to deteriorate some more. Following J. Sainsbury's price offensive last week, Kwik Save has sliced the price of bread again. Although retailers are mainly absorbing the pain, such competitive pressures will prevent hakers from raising the price of branded breads. With continuing overcapacity and flour and wage costs gins can only suffer more.

ABF's cast fron balance sheet will allow it to endure the misery better than the likes of Tomkins. Nevertheless, ABF's prospects look decidedly dull, especially considering the declining income on its £500m cash pile. Perhaps the only way to stimulate a re-rating would be to spend this cash.
Despite his oft-professed dislike for
wheeling and dealing, Mr Garry Weston has proved a dab hand at acquisitions and disposals. Comfort can be drawn from the cautious way Mr Weston treats ABF's money as his own which is perhaps not surprising since he remains the company's biggest shareholder. If only he could repeat his trick of selling the Fine Fare grocery chain and recycling the funds into British Sugar - which has just lifted profits 17 per cent - shareholders would be best pleased.

Lufthansa

In glaring contrast to Air France's equivocations, Lufthansa is resolutely attacking its cost base. Although passengers remain few and far between Lufthansa has been able to record a rare third-quarter profit after cutting operating expenses by 4.5 per cent over the first nine months of the year. The financial stringency is continuing promising further margin improvements. Demand should also begin to pick up next year while the link-up with United Airlines holds out considerable promise over the longer term. The German stock market has been quick to scent recovery. Lufthansa's 5 shares have risen almost 70 per cent over the past year, even though the company is unlikely to record an annual profit until 1995. This seemingly provides an encour-

aging backdrop for the German state to reduce its 54 per cent holding further. But with a weighty deficit hanging round its neck, the government can ill-afford to take on Lufthansa's DM4bn pension fund obligations. A consummation of the Alcazar alliance would give Lufthansa another cause for concern. The four airlines, which rim Germany, could well develop into a formidable force in European aviation. However, the clash between KLM and Swissair over which US carrier should be chosen as the alliance's transatlantic partner threatens to scupper the whole deal. That would be doubly good news for Lufthansa if it cleared the way to it securing an alliance with Austrian Airlines.

NEW ISSUE

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OCTOBER 7, 1993

U.S.\$102,000,000

Guangdong Investment Limited

(incorporated with limited liability under the laws of Hong Kong)

41/2% Convertible Bonds Due 1998

These securities were offered internationally and in the United States

International Offering U.S.\$72,000,000 Principal Amount of Bonds

> **CS First Boston** Merrill Lynch International Limited

Deutsche Bank AG London Lombard Odier International Underwriters S.A. Peregrine Capital Limited

HG Asia Securities Nomura International **UBS** Limited

S.G. Warburg Securities

United States Offering

U.S.\$30,000,000 Principal Amount of Bonds

Tuesday November 9 1993



Merck's

deal given

clearance

By Richard Waters in New York

d Paul Abrahams in London

US ANTI-TRUST authorities

yesterday cleared the proposed

\$6bn takeover by Merck, the US's

largest drugs group, of Medco Containment Services, its biggest

Medco

INSIDE

Lufthansa lifted by cost-cutting

Aggressive cost-cutting helped Lufthansa, the state-controlled German airline, return to profit in state-commoned German arrane, return to profit in the third quarter, in the three months ended September it made a pre-tax profit of DM145m (\$85.8m). This cut the loss for the first nine months to DM76m, sharply down from the DM262m deficit in the same period last year. Page 20

Minoita profits fall

Minolta, one of Japan's leading makers of cameras and photocopiers, blamed depressed profits on a decline in consumer and private capital spending and a strong yen. Page 22

Sculley unveils expansion plans Mr John Sculley, the former chairman and chief executive of Apple Computer who last month joined Spectrum Information Technologies, a small technology development company, has unveiled aggressive expansion plans. Page 23

The lure of Gemms

Securities houses are queueing up at the Bank of England for approval to set up as gift-edged mar-ket-makers (or Gemms) lured by the prospect of earning healthy profits, Page 23

Hotel groups in leadership talks The dispute between Forte and the Savoy group could resume today as the two sides begin discus-sions over who should take over the leadership of the Savoy's hotels. Page 26

Australian bank to enter UK life National Australia Bank is seeking to build up a life and pensions operation in the UK, and is considering acquisitions, joint ventures or the creation of a new life company. Page 26

Sweet-smelling car parks



ballroom of the hotel with a delicious aroma. Even the car park smalled good. Once inside the eight of beautifully presented fare together with offers to ence. This was a presentation by Food From Britain. Page 30

Differing moods on equities

Equity markets were sanguine after last week's declines that stemmed from Wall Street and spilled over to Europe and Asia, resulting in a 2,3 per cent fall in the FT-Actuaries World index. But views on future direction differed, Back Page

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Bowater	26	NAB ·	
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CSR		Owners Abroad	
Celitech		PSGI	-
Christiania Bank		Prowting	
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Forte		Storm Group	
GEC	26	Telspec	
Goodman Fielder	22	The Equitable	
Govett Emerging	26	Towry Law	
Gromatk Packaging		Tribasa	
HCG Lloyda Inv Trus	26	Union Bank Norway	
Hiscox Select ins Fd	25	Wardle Storeys	
Hollas Group	13	Wilson and Horton	
	~~	Vennete Transport	

Chief price changes yesterday

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		Ξ	20	L'Oreal	1170	+	48
Karstadi	617	•	en.	Feits			٠.
Falls					1248	_	13
Leitheit	740	-	30	Captel Plus		_	12
Mercades	720	_	13	Georganica	590	_	
Porticia	796	_	29 .	ENGIODENCE	936	-	34
Zanders Frese	201	_	11	Saint Louis	1352	-	31
		_		TOKYO (Yes)			
MEW YORK (¥			Rises			
Rises					365		14
Chrysler	5514	+	1	Toyo TyreSiRub	300	•	
Geratral Motors	4891	+	. 16	Tells.			15
Commins Engine	9814		116	Alashquag Braide	470	-	
Prairie pages	8178	i	1%	Galdons	865	-	33
	3814	Ξ	154	M'hishi Plastic	465	-	25
Medico	384	+	170	Olgania Corp	734	_	26
Fails				Sandone Page	460	_	30
Merck	32	-	¥	2005man beres	~~		
New York pric	es at 1	2.30	pet-	•			
LONDON (Per	10 0)			Bespirk .	318	-	155

Ferruzzi to sue Price Waterhouse

THE NEW management of Ferruzzi Finanziaria (Ferfin), the Italian industrial group with borrowings of more than L28,000bn (\$17.6bn), plans legal action against Price Waterhouse, the international accounting group which audited its books.

The move, to be put to shareholders this month, is a second blow to Price Waterhouse. In August, Consob, Italy's companies and stock markets watchdog, revoked the firm's authorisathe grounds that it had failed to reveal alleged accounting mismanagement and political cor-

Perfin, which announced a first-half 1993 loss of L1,136bn, accused the accountants of "negligence" and "lack of skill" in auditing its books. Price Water-house was unavailable for com-

Ferfin's new board, largely appointed by the group of five Italian creditor banks behind a restructuring plan, also issued a figures showing a continuing Rossi, Ferfin's chairman, last

tough warning to foreign bank improvement in its performance, creditors still undecided about Group sales jumped 16.4 per the proposed debt moratorium and reorganisation. Continued opposition to the plan beyond November 30 could risk the salvage operation, Ferfin warned, It has called a shareholders' meet-ing later this month to approve a

substantial capital increase. To underline the claim that the group remained fundamentally sound and faced a financial, rather than industrial, problem, Ferfin issued partial nine-month

Akzo's Nobel prize

19.3%

22.5%

1992 sales: SKr. 21.48bn

16.4%

12.5%

Pulp & paper chemicals

products

33.6%

1992 sales: Fl. 16.85bn

Chemicals

cent to L16.779bn, while gross operating profits rose 26 per cent to L1,587bn. The upturn in turnover covered the entire span of Perfin's agro-industrial, chemical and energy activities, with only the depressed cement and building materials side showing a 10

In an attempt to win over recalcitrant foreign banks, many of which have been incensed by the restructuring plans, Mr Guido

week held talks in New York with Citibank, a leading foreign creditor. Foreign bankers have focused on the terms of the restructuring, which they say favours shareholders over creditors, and a lack of transparence on the part of Mediobanca, which leads the Italian creditors.

Ferfin said banks representing about 75 per cent of its borrowings had now approved the plan. However, foreign institutions have objected to the proposals

1992 operating income: Fl. 1.23bn

1992 operating income: SKr. 1.28bn

28.6%

Coatings

pharma chemistry

Industrial products

Industrial coatings

drugs distributor, opening the door to further reshaping of the pharmaceuticals industry. By acquiring Medco, Merck which claims a near 8 per cent share of the US market - would control the distribution channel through which drugs are sup-

plied to 33m people.
The Federal Trade Commission asked Merck in September about the acquisition, suggesting it might challenge the deal. Yesterday, though. Merck said it had FTC clearance even before it had

supplied all the evidence. The acquisition is likely to be completed on November 18, when Medco shareholders vote on it. News of the FTC clearance lifted Medco's share price by \$1% to \$38%, while Merck's shares fell back on fears that the takeover would dilute earnings.

The deal signals Merck's belief that pressure to hold down drug prices will force manufacturers to fight for market share instead. In an interview ahead of FTC approval, Dr Roy Vagelos, chairman and chief executive, said: "We're not just trying to remodel Merck, we're trying to remodel the entire industry. The rest of the sector normally follows what we do."

Dr Vagelos said access to Medco's database, which carries details of drugs taken by individuals as well as the outcome of treatment, would enable Merck to target drugs more precisely. Access to greater information would also make it easier for Merck to price "capitation" sera person's drug needs for the year for a flat fee.

The FTC's clearance is likely to intensify the debate among other drugs companies about the merits of vertical integration.
Some industry executives ques

tion whether Merck is overpaying and whether access to Medco's database will produce many advantages. Health insurance companies and health management organisations already have databases which carry more information about the outcomes of courses of drug treatments than that maintained by Medco, according to Mr Raul Cesan. president of Schering Laboratories in the US, part of Schering-

BZW to control Barclays' European lending

By John Gapper, Banking Editor

BARCLAYS, the biggest UK bank, is to move control of large corporate lending in Europe to its BZW investment bank and curtail some lower-margin syndicated loans to raise earnings.

Commercial banks are moving to sell a wider range of services to big companies to make up for narrow lending margins. This move will be followed by a review of large corporate business in the UK next year.

Barciays said yesterday the review might lead to some large British customers being moved to the overall control of a BZW account executive rather than being handled by its retail and corporate banking division.

The initiative follows the transfer of large corporate lend-ing in the US to BZW at the start of this year. The bank is already transferring its Asian busines to BZW, but retail banking in Europe will remain within the banking division.

Mr David Band, BZW chief executive, said the division would review large corporate contracts in Europe and whittle away those in which it could not add services to lending. It expected to retain 300 customers.

Mr Band sald BZW hoped to sell corporate finance advice, securities underwriting, risk management, and pension fund management to European clients. Contracts were at risk where it was only part of a loan

The transfer follows a joint BZW/banking division review. Mr Band said it decided against wholesale transfer of msely more complex" relationships with large British companies. Mr Alastair Robinson, head of the banking division, said Barclays wanted to ensure that big UK companies could choose which part of the bank suited their needs. He did not anticipate a "mammoth change".

National Westminster already handles relationships with large corporate clients under its Nat-West Markets corporate and investment banking arm. Mr Robinson said there was no disagreement between the BZW and banking divisions over control of large corporate clients and the bank was evolving with the market. "I do not see this as a battleground. It is a matter of logic,"

BZW announced the appointment of Mr Patrick O'Sullivan, currently general manager Europe for GE Capital's Financial Guaranty Insurance Com-pany, to the new post of head of bank finance as a result of the

Akzo and Nobel will together create the world's largest paints group, report Paul Abrahams and Christopher Brown-Humes

When one plus one esterday's merger between Akzo of the Netherlands and Nobel of wetnermans and robes of Sweden is the largest transaction in the European chemicals industry for a decade. The industrial and financial is more than two logic of the complex deal, effec-

tively a takeover of Nobel by Akzo, is impeccable. Akzo assumes Nobel's crippling debts of SKr10.7bn (£880m) and refinances them at far lower cost. At the same time the Dutch group acquires Nobel's chemicals and coatings operations, creating the largest paints group in the world. The financial aspects of the deal are elegant. Securum, the state-owned Swedish investment vehicle, is paying Akzo SKr4.1bn for two of Nobel's businesses and will also take on SKr1.2bn in debt, reducing Akzo's difficulties in financing the Swedish compa-ny's debt. The two operations are Nobel's biotechnology division

cal-optical instruments oper-The Dutch group also intends to redeem Nobel's high-yield pref-erence shares which had proved burdensome. To pay for the preference shares and reduce debts further, Akzo is issuing stock to raise F11.3bn. Mr Aarnout Louexpected Akzo-Nobel, the new company, to have gearing of

and Spectra-Physics, its electri-

Mr Lars Thunell, Securum chief executive, said: "Today's agreement means that industrial operations which had been damaged through connections with real estate and finance companies will now be financially sound and in the proper indus-

trial environment. As for industrial logic, Mr Loudon explained: "The two businesses are really an excellent fit. We're wondering why we did not arrive at the conclusion earlier. When you take out the financial charges and financial hedging problems Nobel has been having. these are well run businesses. Some are better run than divi-

sions at Akzo." Nobel made operating profits after depreciation last year of SKr1.28bn, but after financial expenses, profit only amounted to SKr237m.

The driving force behind the deal is the benefit to be derived from combining the companies' coatings operations. On 1992 figures, the new group would have annual coatings sales of about F16.8bn (\$3.3bn), making it the world's largest coatings concern, bigger than Imperial Chemical Industries' operations which last year had sales of £1.58bn. Akzo-Nobel will be one of the strongest forces in the European decorative paints market with annual sales

The chemicals operations should also benefit from the merger, according to Mr Loudon. Nobel is the world leader in pulp bleaching and second in paper chemicals. By combining the two businesses, Akzo-Nobel will also have a good position in the man-ufacture of monochloro acetic acid. Some rationalisation of the combined detergent surfactants

operations, particularly fatty amines production, would be required, he said. "There are plenty of opportunities for the chemicals operations to prove

more than two." Akzo-Nobel will continue to rationalise businesses from both companies, he said. However, as neither company had significant operations in the other's home country, there should be few job losses in either the Netherland of Sweden. Apart from fatty amine production no plants would be closed, he added.

he merger still has hurdles to overcome. The deal requires 90 per cent acceptance from Nobel shareholders, as well as the approval of Akzo shareholders. The peripheral assets also have to be sold to

Potentially the biggest obstacle is the EC's competition directorate. However, Akzo said yester-day that even if the EC decided to investigate the merger, it would not halt the integration of the non-affected business

Mr Loudon said he did not underestimate the difficulties of merging the two cultures, although he added there were likely to be fewer difficulties between the Swedes and Dutch than, say, the Swedes and

The Dutch company has been at pains to take into account the feelings of the Swedes who are members of the 11-strong supervi-

industrial costings. surface chemistry sory board will be Swedish, Mr Ove Mattsson, Nobel chief executive, will join the new company's board of management and run the European coatings operthat the sum of one plus one is ations. The group has also under-

taken to continue R&D in Sweden and to maintain a number of units, including the paper chemicals and interior coatings.

Meanwhile, Securum will continue to exert significant influence on the new group through a

20 per cent stake. Mr Loudon expected Securum to dispose of some of its stake in a year's time when a stand-still agreement Akzo-Nobel's next challenge is

to generate the synergies it has promised. Mr Loudon pointed out that Akzo's last quarter indicated

that the European economy may have bottomed out, if so, he added, the merger could have been perfectly timed.

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NATWEST MARKETS Corporate & Investment Banking

INDEPENDENT

Baking profits shrink in UK

By Maggie Uny In London

IN spite of ever flercer competition in the UK bread mar-ket, Associated British Foods, the leading UK baker, increased pre-tax profits from £287m to £338m (\$510m) in the year to September 18. The shares rose 4p to 479p. However, operating profits were only £4m higher at £273m although sales rose 10.9 per cent to £4.39bn. Mr Garry Weston, chairman, said the fall in operat-

ing margins from 6.8 to 6.2 per cent was entirely due to lower baking profits. An attempt to increase prices halfway through the year had failed, he said. "A lot of bread is being sold below cost. The only hope is that the public will get

tired of eating cheap and nasty He said that Ranks Hovis said it was vital that this rise be

the market, had been aggressive on market share since its take over by Tomkins, the conglomerate, late last year. However, ABF is believed to have won back some market share. Mr Weston said "someone's gain is someone else's loss. There has to be a degree of retaliation. They have a right to my market share like I have a right to theirs".

There was no sign of any of the hig independent bakers - many of which focus on a limited range of bread and of retailers - going

On the milling side, which is largely inseparable from baking, ABF had also suffered lower by-product prices because of lower EC intervention prices. A poor wheat harvest this autumn had led to a 5 per cent rise in flour prices, he said. Analysts

AND THE RESIDENCE OF THE PROPERTY OF THE PROPE

As well as milling and baking. ABF makes a range of grocery products. Responding to the latest escalation of a food retail price war, he said food retailers were putting ever more pressure on manufacturers. "It has always been there, it always seems exceptional and it always gets worse. There is very little left for retailers to try and grab from food manufacturers."

Mr Weston said food manufac-

turers had been unable to recoun the higher costs of raw materials following sterling's devaluation. Rising bond markets meant returns on the group's net cash of over £500m at the year end, net

of interest, rose from £26m to £43m. Profits also included a £12m rise in the value of the group's stake in Berisford International, compared with a £22m

fall in 1992. McDougall, the number two in passed on in higher bread prices. Lex, Page 18; Details, Page 26

AGGRESSIVE cost-cutting helped Lufthansa return to profit in the third quarter, the state controlled German airline

It said in the three months ended September it made a parent company pre-tax profit of DM145m (\$85.8m). This cut the loss for the first nine months to DM76m, sharply down from the DM262m deficit in the same period last

Lufthansa forecast it would meet its target of halving operating losses by the end of the year, despite the usual seasonal weakness of the final

For the whole of last year, the parent company lost DM297m. The airline's objec-

railways plan

By Robert Gibbens in Montreal

systems plan a merger or

east of the Manitoba border as

part-merger

Canadian

around DM150m for the year as

Lufthansa said the return to profit in the third quarter was due to rationalisation rather than any revival in the crisis-

stricken airline industry. Operating expenditure for the first nine months fell 4.5 per cent, while personnel costs dropped 9 per cent. In total, the number of group employees was down by 5,500, or 11 per cent, in the period from mid-1992 to the end of September this year.

This was against the backdrop of continuing price ero-sion in the industry. Prices for nger flights had dropped by 8 per cent per kilometre over the last year, and by 2 per cent for freight. The passenger total rose 3.5

per cent to 25.8m in the nine

meant the group's turnover slipped 0.8 per cent to DM11.9bn.

The impact of the fall in revenue was offset by the combination of cost-cutting and a substantial increase in capac ity utilisation, with the overall load factor climbing by 4.4 per cent to 69 per cent. This led to better operating results, Lufthansa said.

Separately yesterday, Mr Hemjö Klein, a member of the Lufthansa board, said the airline would increase prices for internal German flights by DM20 to DM40 per ticket from the beginning of next year. Addressing a travel agents

prices within Europe were likely to be increased by between 2 and 10 per cent.

Fisons inducements inquiry intensifies

By Paul Abrahams in London

CANADA'S two national rail SENIOR managers at Fisons, track-sharing agreement for soon as the first quarter of

Canadian National and Canadian Pacific, reacting to domestic rate competition and pressures to reduce their unit costs to US levels, have already begun small-scale track sharing and plan to close down or sell unprofitable lines in the

their links between Ontario and the US.

Mr William Stinson, chairman of Canadian Pacific, said in Toronto he was confident the government would approve the broad rationalisation they are planning.

Future ownership and management of the system in eastern Canada has yet to be decided, he said, but added: "But I don't see any room for government ownership in the

the troubled pharmaceuticals and scientific equipment group, were yesterday interviewing a regional sales direc-tor as part of an investigation into alleged illegal marketing practices.

Fisons said its early inqui-

ries suggested there was a pos-sibility that some offers of inducement had been made to doctors to prescribe the company's products. However, it believed no money had been paid to general practitioners. The company admitted a scheme had existed involving nationt treatment cards, which could have led to payments to GPs. The programme had been withdrawn and had never been authorised by senior manage-

ment said the company. Such inducements are against the industry's code of practice and could lead to expulsion from the Association of the British Pharmaceutical Industry, and prosecution by the government's Medi-

cines Control Agency. Mr Rick Tiller. West Midlands regional sales manager, was interviewed yesterday by Mr Brian Higginson, managing director of UK pharmaceuticals operations, and Mr George Battersby, the personnel director. A decision about whether to suspend Mr Tiller had not been taken last night, according to

Mr Cedric Scroggs, chief executive, and Mr Mike Redmond, pharmaceuticals division managing director, are directing the investigation. Fisons wants to conclude its inquiry as soon as possible. The company said it was initially concentrating on the seven-strong west Midlands sales force, but would then ensure

had been behaving ethically. Fisons is undergoing a cost-cutting exercise called "FFF" -"funding Fisons' future" designed to cut 15 per cent from costs. The programme, assisted by consultants Coopers & Lybrand, is understood to have damaged morale.

its country-wide sales forces

Renault union in anti-Volvo protest

By John Ridding in Paris

THE Confédération Générale du Travail, France's communist-led trade union group, said yesterday that it planned to hold a day of action on November 18 to protest against the planned merger between Renault and Volvo.

The union, the largest at Renault, described the merger as "packaging, which is being used to achieve a privatisation opposed by the workforce". It called for a demonstration in Paris and a stoppage by Renault workers.

The statement by the CGT coincides with opposition to the merger from some Volvo shareholders. They are demanding clarification of the French government's plans to privatise the merged group and oppose the retention of a golden share by the French government after privatisation. Their demands forced Volvo to postpone until next

Mr Daniel Sanchez, the CGT's representative at Renault, said the fears of the Volvo investors were justified. Unlike Swedish shareholders, however, which want a firm commitment to privatise the group, the CGT is opposed to the sale of the French government's stake.

Eurofima lifts share capital

By Charles Batchelor, Transport Correspondent

EUROFIMA, the Swiss-based organisation which funds the purchase of rolling stock by many European railways, has made large increases in both paid-up and authorised share

Its shareholders, which include the Deutsche Bundesbahn and France's SNCF, have increased its paid-up capital from SFr310m to SFr420m (\$282m) and doubled its authorised capital to SFr2.1bn. | manufacturing interests.

Norway forced to reveal bank plan

By Karen Fossii in Oslo

NORWAY'S finance ministry plans to make public a con-densed version of a confidential report laying out options for possible mergers between the big four Norwegian banks. It said yesterday the report, prepared by Davis International Banking Consultants of the UK, had gone missing. As a result, a condensed version

would be made available. The report, commissioned last year by the ministry, had a mandate to make recommendations about the structure of Norway's banking industry with a view to improving prof-

gone missing from the office of a member of the board of Norway's state-backed Bank Insurance Fund.

The ministry said it had not made any decisions about recommendations in the report. "In the discussion of possible merger solutions, all combinations between the four. largest banks are considered," the ministry said.

Norway's four biggest banks, ranked by assets, include Den norske Bank (DnB), Christiania Bank, Sparebanken Nor. known internationally as Union Bank of Norway, and Fokus Bank

"The report considers differeasures to improve the The report has apparently profitability of Norway's bank-

ing business, among other things possible adjustments to the banks' domestic and international networks of subsidiaries and possible merger

solutions," the ministry said. Norway's banks have just begun to emerge from a six-year crisis. Christiania Bank plans to launch a public share issue this year, while DnB said it would issue shares some

Against this background, the contents of the missing report are likely to raise a number of extremely sensitive political and stock market issues. The sector's fall into heavy

losses forced the state to take a controlling share in three of the four biggest banks. Spare-

Norway has refused to allow its banks to establish so-called "bad banks", into which defaulted loans are placed in a bid to speed recovery and pro-

tect healthy operations.

OnB said the bank had no plans to merge. Christiania Bank refused to comment on the report.

The report also suggests a further concentration of the savings banks and "sees Spare banken Nor as the natural centre for such a process". The report also sees the statebacked Post Bank and Post Giro as possible merger candidates for the banks.

German exchange rule warning

By David Waller

RULES requiring issuers of securities on German stock exchanges to publish a full prospectus in a so-called "official stock-market newspaper" should be done away with, the president of the influential Association of German Banks said yesterday.

Germany was the only country in Europe to have such a rule, Mr Eberhard Martini said This put the German financial markets at a competitive disadvantage to other European

He said it cost between DM75.000 and DM150.000 per prospectus to comply with

By Patrick Stum in Vienna

SOLVAY, the Belgian chemi-

cals group, will today seek

vic, the Austrian plastics com-

pany in which it has an 82

per cent stake. The request

will come at an extraordinary

meeting of Halvic's sharehold-

ers, the group confirmed yes-

The remaining 18 per cent of

the company, which makes

PVC products, is held by Credi-

tanstalt Bankverein, the Aus-

trian bank with diversified

ent to close down Hal-

the rule, and this could drive business away from

Mr Martini, chief executive of the Bayerische Hypothekenund Wechsel Bank, warned the rule increased the tendency of issuers of DM bonds to launch deals outside Germany. It also hindered the German stock exchanges' attempts to persuade foreign issuers to seek a listing in Germany.

Mr Martini suggested the proposed law on the reform of the German securities markets. the second Finanzmarktförde rungsgesetz which received cabinet approval last week, should be amended to do away

Solvay seeks to close Austrian offshoot

Halvic has made losses of BFr600m (\$16.6m) in the past

three years in spite of efforts to

reduce costs. The recession in western Europe, "unbridled" competition from east Euro-

pean producers, and high pro-

duction costs had made the

Austrian company uncompeti-

tive, Solvay said. Halvic's lack of size - it

employs 136 workers - and a

narrow domestic market for

PVC products were additional

Halvic produces 60,000

tonnes of PVC annually, repre-

senting about 5 per cent of the

The law contains sweeping measures to enhance German financial markets. It will make insider dealing a criminal offence, and establish a regulatory body for securities market

After his official speech yes terday, Mr Martini said the German hanking sector was proving itself one of the most stable in the world. Despite the deep recession in

Germany, he said operating amofits would rise substantially at many banks this year. However, he warned that these gains would be offset by, in some cases. "massive" provi-

Solvay group's 1.2m tonnes PVC production capacity. "Halvic's closure will con-

tribute to bring about a better

balance between PVC supply

and demand in Europe." Sol-

· A senior executive vice-pres-

ident at Rhône-Poulenc, the

French chemicals group, said

there were signs of improve

ment in chemicals prices. How-

ever, a rise in volumes was

still not in sight, Reuter

reports from Paris.

little in 1994, he said.

vay said.

sions for bad and doubtful

cleaning up operation by Ina. after advice by its bankers that privatisation would be easier if shareholders were offered stock in a full-range life and

cent of the company, is expected to cost Ina at least 1.580bm (\$353m), based on Friday's presuspension share price of

Ina is expected to reveal its formal offer price later this allowing Assitalia shareholders

The Assitalia deal is the second big financial transaction launched by Ina in recent



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SGS Société Générale de Surveillance Holding S.A.

Delisting of the Bons de Cuissance, category A, with no per value, from the Swiss Stock Exchanges

Swiss security number 249.733

Following the offers made to the bearers to exchange or to purchase the Bons de Jouissance, category A, with no par value, of SGS Société Générale de Surveillance Holding S. A., Geneva, the number of existing Bons has been reduced to 1470. The market value of these Bons is now less than CHF 2.3 mio and represent approximately 0.07% of the total market capitalisation of SGS Société Genérale de Surveillance Holding S. A. The remaining market capitalisation of the Bons de Jouissance and their number no longer fulfill the listing requirements therefor as stipulated in the listing regulations.

For the above mentioned reasons, the Board of Directors of SGS Société Générale de Surveillance Holding S. A., Geneva, has resolved to apply for the delisting of the Bons de Jouissance from the Stock Exchanges in Geneva and Zurich, The delisting has been approved by the Swiss Admission Office (SZS) and will become effective as from 15 November 1993. The last trading date on the Stock Exchange of the Bons de Jouissance will be the 12 November 1993.

After the delisting from the Swiss Stock Exchanges of the Bons de Jouissance, cat-egory A, with no par value, of SGS Societé Générale de Surveillance Holding S. A. off market transactions for these securities can be made through Union Bank of Switzerland during a period of three months immediately following.

Geneva, 5 November 1993 SGS Société Générale de Surveillance Holding S. A.

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seenger service franchising, the new lessing market in nathesy ruling stock and the negement of track intestructure. Speciers include: The fit Hon Roger Freeman MP. ster for Public Transport; John Swift QC, Rall Regulator Designate; Roger Sal Franchising Director Designate; or Robert Horton of Ralitrack and James Sherwoo

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Organisation for Industrial Consulting: and Mr Edward A Wilson, Dow Europe SA. VENTURE PORUM EURÔPE '92

London, 29 November - 1 December

Arranged juristy by the Financial Times and Venture Economics, the Forum brings together industry expents from Europe and the USA to discuss the lesues and opportunities attenting the European venture capital community. The Forum will include sessions on nev approaches to fund raising: buyouts: the outlook for technology investing in Europe and

DOING BUSINESS WITH SPAIN

Madrid, 1 & 2 December

eview the economic, budget and labour policies of the new Spanish Government as well at important questions on Europe's future and the conditions for monetary and political union shed penel of speakers includes: D. Pedro Solbes Mira, the Spenish Minister o Econogry & Finance, O. José Antonio Grinán Martínez, the Spanish Minister of Labour & icial Security, D. Luis Angel Rofo, Governor of the Bank of Spain, and Mr Rob

WORLD TELECOMMUNICATIONS London, 7 & 8 December

The conference debate will focus on the trends changing the shape of the wor lecommunications industry, with particular amphasis on regulation and the method eneral of OFTEL. Mr. James H Quello, Chalman of the Federal Comp ommission, Mr Marc Dendelot, Conseller d'Elat, French Ministry of ucations. Mr Pál Horváth, Director General of the Hungaris one Company and Mr Beasel Kok, Chief Executive Officer of Belgacom.

hows, ESN Pension Management Group: Mr Hugh Stevenson, Marcury Asset Management Group plot Mr Ron Spill, Lagal & General Assurance Society Limited and Mr Rodney Dennis, Prudential Portfolio Managers Limitad.

THE OUTLOOK FOR NATURAL GAS IN THE 1990s AND BEYOND

This topical meeting will consider developments in key markets, evaluate supply and demand, and axiamine the financing of gas projects. Speakers include: Mr Richard C Green, Jr. UtilCorp United Inc; Mr H John Hawtenhaw, BP Exploration Operating Company Limited; Mr Cedric H Brown, British Gas pic; Mr Herbert Detherding, Wintershall AG; Mr

All enquiries should be addressed to : Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071 814 9770 (24 hour enswering service) Teles: 27947 FTCONF G Fex.

Buy-out to cost Ina L580bn

ASSITALIA, the Italian non-life insurance group, was suspended from trading on the Milan stock exchange yesterday after Friday's announcement that its majority shareholder intended to buy out the

minority stake. Assitatia, one of Italy's bigest general insurers, is controlled by Ina, the state-owned life insurance group due to be

privatised next year. The buy-out represents a

non-life group.

Buying out the Assitalian minorities, which own 40.5 p.

week. However, the deal may also invoive some mechanism to swap into Ina stock on pri-

This meant Rhone-Poulenc's operating profit may improve a

WORLD ELECTRICITY

terday.

London, 22 & 23 November hemical producers and the larger term outlook for the competition jesues. Speakers include: Mr Robert D Kennedy, Union Carbide Corporation Mr Clive H Thompson, ARCO Chemical Europe, Inc; Or Marcello Coliti, Enichem SpA; Mr Paul du P Kruger, Sasol Lid; Mr Makoto Takada, Martech, Inc., Dr Neil Amin Atalia, Gulf

PENSIONS - A Time for Change Following the publication of the Goode Committee's Report, the contentince will discuss in strategies in a climate of tow inflation. Mr William Hague MP, Department of Social Security will give the opening address and specifiers include: Mr Tom Floss, Clay & Partment Mr Brits.

Vienna, 13 & 14 December Diamel Merad, Schatrach and Mr Reza Rostumi Sani, National Iranian Gas Con (NRGC).

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training courses for both United Kingdom and oversess students leading in professional qualifications under the Chartered Association of Certified Accountants and the Chartered Institute of Management Accountants. Copies of listing particulars relating to the Company may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and Including 11th November 1993 from the Company Announcements Office of the London Stock Exchange, Stock Exchange Tower, Capel Court Entrance, off Burtholomew Lane, London ECEN 1HP (for collection only) and up to and including 21rd November 1993 from:

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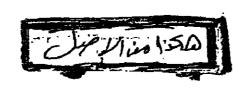
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Gruntal & Co., Incorporated

Interstate/Johnson Lane

Janney Montgomery Scott Inc.

Legg Mason Wood Walker

McDonald & Company
Securities, Inc.

Morgan Keegan & Company, Inc. Piper Jaffray Inc.

Rauscher Pierce Refsnes, Inc.

Parker/Hunter Raymond James & Associates, Inc.

The Robinson-Humphrey Company, Inc.

Rodman & Renshaw, Inc.

The Ohio Company

Roney & Co.

Stifel, Nicolaus & Company

Sutro & Co. Incorporated

Tucker Anthony
Incorporated

U.S. Clearing Corp.

Utendahl Capital Partners, L.P.

Wheat First Butcher & Singer

COMPAGNIE FINANCIERE OTTOMANE SA (FORMERLY OTTOMAN BANK)

Issue of New Share Certificates

As announced on 28 May 1993, the Company changed its structure on 26 May 1993, transferred its domicile to Luxembourg and adopted new Statutes, the Company's share capital now being made up of 5,000,000 shares of FF 10 each, fully paid.

The Company gives notice that shareholders can obtain their new shares upon surrender of the existing certificates with talon and coupons from No 121 to No 147 attached on and after 16 November 1993.

In accordance with Article 6 of the Statutes, shareholders are now entitled to hold bearer shares or registered shares. New bearer certificates will be issued for 10, 20. 50 and 100 shares, as follows:

For each £20 share	New FF 10 shares					
(£10 paid)	10	20	50	100		
1	1					
_. 5	1	2				
10	1	2	1			
25	1	2		2		

The minimum transaction in bearer stock will be 10 shares and any transaction for a smaller amount will have to be through the registrars shown below.

In the United Kingdom, for shareholders wishing to retain bearer certificates or have registered stock, exchange forms are available from:

Bardays Bank PLC **BGSS Depository Services** 168 Fenchurch Street, London EC3P 3HP

On behalf of the UK Registrars:

Barclays Registrars Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

For shareholders who wish to have registered stock in Luxembourg, exchange forms are available from:

Banque Paribas Luxembourg SA BP 51, 10A Boulevard Royal, L-2093 Luxembourg



COMPAGNIE FINANCIERE OTTOMANE SA (FORMERLY OTTOMAN BANK)

Issue of New Founders' Share Certificates

The Company gives notice that new Founders' share certificates with talon and coupons attached can be obtained by surrender of the existing certificates complete with the talon and coupons Nos 64-112 attached on and after 16 November 1993.

In the United Kingdom, existing Founders' share certificates complete with talon and coupons as above should be sent for exchange to:

> Barclays Bank PLC **BGSS Depository Service** 168 Fenchurch Street London EC3P 3HP

9 November 1993

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If you want to find out just where the profit (and loss) is being made in your organisation, invest in Commander Profit

It lets you analyse and improve the profit performance of your organisation's Comshare Lepited, 22 Chelsos Manor Street, London SW3 SRI, Telephone 071 351 4399 Facsimile 07| 351 1424

tion and details of our forthcoming seminars, call Chris King on 071 351 4399.

U.S. \$250,000,000



Crédit Lyonnais

Subordinated Floating Rate Notes Due August 1997

Interest Rate Interest Period

5% per annum

8th November 1993 7th February 1994

Interest Amount per

U.S. \$10,000 Note due 7th February 1994 U.S. \$126.39

CS First Boston

GREAT BELT A.S. o • 9.5,1994 t per Y50,000,000 t.1994 • Y704,164

To the Holders of Senior Assets 2 (ROSA2)

Sentor Assots 2 (NOSA2)

Pursuant to the Indenture dated as of January 10, 1992, between the Parent and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period October 15, 1993 through January 17, 1984, the rates applicable to the Secured Senior Floating Rote Notes and Secured Senior Subordinated Floating Rate Notes are 4.025 and 4.725 respectively.

INTERNATIONAL COMPANIES AND FINANCE

in export sales despite the

While business in Japan was negatively affected by the vir-tual freeze on plant and equip-

ment purchases by Japanese

manufacturers, this was more

than offset by strong exports,

Exports, which make up less

than 20 per cent of Omron's

sales, were particularly buoy-ant in Asia, which saw a rise of

32 per cent in the first half.

However, sales in the US were

also 15 per cent up on the

strength of the economic

CSR boosts Omron bucks trend with Japan set investment in Taiwan thermometers, attributed its pick-up in that country. Sales better results to a strong rise to the EC were also up 9 per venture

By NEdd Talt in Sydney

CSR, the large Australian building materials company, is to invest A\$29m (US\$19m) in a concrete products joint venture in Taiwan, bringing its total investment there to A\$50m.

The Sydney-based group has also signed a "strategic busi-ness alliance" with the Taiwanese government, aimed at upgrading the technical capa-bilities of Taiwan's building industry and, from CSR's point of view, developing Taiwan as a "base to pursue opportunities in building and construction materials in Asia". CSR claimed to be the first

Australian company to sign such an agreement, although it noted that a number of large US corporations, such as AT&T. General Motors and General Electric, had done so. CSR first established a presence in Taipei last year, "to co-ordinate building materials expansion" in northern Asia.

The joint venture company, CSR Taiwan Humes, will be 75 per cent-owned by CSR and 25 per cent by Yung Ming Precast, which makes concrete pipes and pre-cast concrete

It plans to build a concrete products factory in Taiwan, which will come into production by the end of 1994.

CSE said it expected the plant to put particular emphasis on producing PVC sheetlined pre-cast concrete pipe and tunnel lining segments, for use in water and sewerage infrastructure projects.

Earnings up 74% at SA glass group

By Philip Gawith

AN IMPRESSIVE performance from offshore arm Belron helped Plate Class and Shatterprufe Industries (PGSI), the glass group in the South African Breweries (SAB) stable, record a 74 per cent increase in earnings per share to 241 cents in the six months to the end of September, compared with 138

cents a year ago.

The better performance was largely attributable to better results from Belron, the automotive glass company.

Domestically, Glass SA's results held steady and PG Bison, the board company, mance. Management said earnings were expected to increase in the second half, but at a much lower" rate than during the first half. Turnover rose by 17 per cent

to R1.58bn (\$46.9m) from R1.35bn and operating profit was 47 per cent higher at R172.5m (R117.2m). Attributable income rose by 115 per cent to R73.4m (R34m). The dividend was increased by 31 per cent to 85 cents from 65 cents a share.

 HIGH financing costs and difficult trading conditions, aggravated by violence and political disruptions, saw Amrel, the clothing, footwear and furniture retailer in the SAB group, record a first-half loss of R8.4m against a R1.9m loss a year earlier.

profits increase of 7%

yen's appreciation.

Omron said.

By Michiyo Nakamoto

OMRON, the Japanese maker of control components and health equipment, bucked the trend of poorer performances caused by recession with a 7.5 per cent rise in pre-tax profits. Omron's profits increase in

the first half of fiscal 1993 to Y2.16bn (\$20m) from Y2.01bn a year ago came on higher turn-over of Y173.8bn, up 2.4 per cent from Y169.8bn. The company, which makes

control equipment for factory automation, electronic fund transfer systems and electronic

MINOLTA, one of Japan's leading makers of cameras and

By Michlyo Nakamoto

Minolta again omits payout nificantly less than its pre-tax loss of Y4.98bn in the previous first half. However, it is pass-ing its dividend for the third

photocopiers, blamed depressed profits on a decline in consumer and private capitive term. It said that despite the introduction of new products its camera division had suffered a tal spending and a strong sharp decline in sales of Minolta which has a high 15 per cent, while its business machinery division export ratio of nearly 80 per cent, reported a 10 per cent decline in sales for the first saw sales fall back by 7.9 per

half of fiscal 1993 to Y89.2bn Minolta has made efforts to (\$825m) from Y99.5bn a year deal with the impact of the higher yen and weak demand The company made a pre-tax loss of YL05bn, which was sigthrough price increases, shortening of the time it

market and standardisation of parts. It has been cutting back on recruitment and other

ever, it was able to combat the

adverse effect of the currency's

strength with cost-cutting

efforts in addition to higher

sales. The company expects

capital expenditure, for exam-ple to fall by Y4bn from its initial forecast of Y33bn for the

year. It has also implemented a

programme to cut employee levels by 1,500 through natural

attrition over the next three

Nevertheless, the company does not expect the main economies of the world to emerge from their gloom easily. Minolta is counting on the launch of new camera products

to help lift sales but sees little prospect of improvement in spending by corporations. As a result, it is forecasting a

loss for the full year of Y1bn on sales of Y188bn and will pass its final dividend

Goodman Fielder sells holding

By Niikki Tait

GOODMAN FIELDER, the Sydney-based food and bakeries group, is to sell its remaining stake in Ridley Cor-poration, Australia's largest commercial stock feed miller, raising approximately A\$60m (US\$40m) in the process. Goodman currently holds around 32.1m ordinary shares

notes - which will be con-verted into an equivalent number of shares before the sale takes place.

The total holding sold amounts to a 29.7 per cent interest in the stock feed company, which also has large sait Yesterday, SBC Dominguez

Barry, which is underwriting the offering at A\$1.08 a share,

mately half the shares to be sold to institutional investors. The other half will be reserved for priority applications from Goodman Fielder shareholders.

Full details of the offering are promised shortly.

Like many Australian comoanies, Goodman Fielder bas been pruning back its business recently and concentrating on core operations.

to ease grip on yen bond market

By Emiko Terazono in Tokyo Omron was not spared the impact of the high yen, which came to about Yl.6hn How-

JAPAN'S ministry of finance is poised to ease its grip on placements of yen-denominated bonds issued overseas as part of its continuing deregulation of the country's financial mar-

.

Ministry officials said they could come to a decision early next month to allow Eurobonds issued by sovereign borrowers to be placed with domestic investors immediately after the issuance.

In order to protect the country's fledgling straight bond market, the government has tried to keep Eurobonds offshore by prohibiting yen bonds issued overseas from entering the country for the first 90 days of issuance.
However, officials said the

the "lock-up" period for Euro-bonds issued by domestic borrowers and corporate overseas borrowers is expected to remain intact for the time

Some securities house officials point out that the eventual lifting of the placement restriction will make little difference to the Euroyen market. Japanese securities houses have found their way around the restrictions by agreeing to 'warehouse" Euroyen issues for three months before selling the paper off to Japanese investors at the issuing

The decision to lift the "lock-up" rule for sovereign? issuers may accelerate the deterioration of Japan's samurai market, which is currently facing the departure of toprated borrowers.

Issuers like the World Bank and Asian Development Bank have started to avoid the samurai market due to the lack of cost differential between borrowers with low credit ratings and high credit ratings.

INTERNATIONAL COMPANY NEWS IN BRIEF

Singapore Press posts SINGAPORE Press Holdings, the island republic's largest publishing group, has announced pre-tax profits for the year to March 1993 of 17% rise in pre-tax S\$308.6m (US\$193.9m), a 17 per cent rise on 1992, writes Kleran Cooke in Kuala Lumpur.

Group turnover was up 8.8 per cent on the year, from \$\$607m in 1992 to \$\$661m in

SPH publishes most of the leading titles in Singapore, including The Straits Times, the main English language the leading financial daily, and

The Sunday Times.

SPH also publishes leading Chinese and Malay language newspapers in Singapore, plus a variety of popular magazines.

Australia boosts NZ fridge-maker

FISHER and Paykel, the New Zealand refrigerator-maker. has announced a 46 per cent profit rise lift to NZ\$10.57m (US\$5.87m) in the six months to September 30, helped by a substantial boost in sales to Australia, writes Terry Hall in

Directors said that while New Zealand sales overall fell by 3 per cent they rose 42 per cent in Australia, where the

company set up a new plant the higher sales, cost contain-

Record year for NZ publisher

WILSON and Horton, publisher of New Zealand's largest circulation paper, The New Zealand record increase in half-year profits to NZ\$ 19.3m (US\$10.7m), and a tax-free onefor-eight bonus issue. Sales were also a record, up 15.4 per cent to NZ\$176.6m.

Amcoal falls due to weak exports

WEAKER export markets caused earnings at Amcoal, the coal arm of the Anglo American group, to fall slightly to R121.8m (\$36.16m), from R122.7m previously, in the six months to the end of September 1993, writes Philip Gawith.

Sales rose to 22.85m tonnes from 20.74m in the same period in 1992, due to higher exports and increased sales to the electricity utility Escom. Despite

ment and a weaker rand-dollar exchange rate, a further soften-ing in US dollar export prices caused export profitability to fall. Profits on sales to Escom,

however, increased. Earnings per share before abnormal items fell to 484 cents (487 cents) and the dividend was maintained at 150

Japanese shipping firms' profits fall

JAPAN'S two largest shipping companies, Nippon Yusen Kaisha and Mitsul OSK Lines, blamed their latest profits declines on a fall in imports to their economically depress domestic market, writes William Dawkins in Tokyo.

Nippon Yusen's revenue fell by 10 per cent to Y268bn (\$2.47bn), in the six months to September, on which pre-tax profits collapsed by 49 per cent to Y3.61bn. Mitsul OSK's taxable profits fell by 23.8 per cent to Y2.72bn over the same period, on turnover down by 8.2 per cent to Y223bn.

Both shippers also cited as factors currency losses on the translation of their dollar fares and freight charges into appreciatiņg yen.

Food pushes Hunt Leuchars ahead

IMPROVED performances from its sugar and poultry investments helped Hunt Leuchars & Hepburn (HLH), the food and timber company in the Rembrandt group, record a 36 per cent increase in attributable earnings to R32m (\$9.5m), compared with R23.6m a year ago, in the six months to September, writes Philip Gawith.

Earnings per share rose to 21.5 cents (15.8 cents) and the interim dividend was maintained at 13.5 cents.

Yamato up 7.6% at half-way stage

YAMATO Transport, Japan's largest door-to-door parcel delivery service operator. reported parent pre-tax profit for the fiscal first half to Sep-tember 30 7.6 per cent higher at Y8.25bn (\$7.6m) compared with Y7.67bn a year ago, AP-DJ reports from Tokyo. Sales were 3.4 per cent higher at Y235.83bn.

Notice, for information only, to the Bondholders of SCA CAPITAL CORPORATION B.V. ECU 101,000,000

4 1/2 PER CENT. GUARANTEED CONVERTIBLE BONDS (THE "BONDS") GUARANTEED ON A SUBORDINATED BASIS BY, AND CONVERTIBLE INTO NON-RESTRICTED CLASS B SHARES OF, SVENSKA CELLULOSA AKTIEBOLAGET SCA THE "COMPANY"

NOTICE TO BONDHOLDERS In accordance with the Notice to Bondholders published on September 6, 1993 The Board of Directors of Svenska Cellulosa Akticholager SCA had 1993 The board of Directors of Services Activities Arkinebouger SCA. But decided to increase the Share Capital of the Company through a Rights Issue of Shares with a preferential right for the shareholders to subscribe for the New Shares. The decision was duly approved by an Extraordinary Central Meeting of the shareholders of the Company held on September 23, 1993.

Subscription for the New Shares ended on October 27, 1993 and as a result thereof and pursuant to Clause 9(A) (4) of the Trust Deed dated 17th January 1989 constituting the Bonds the Conversion Price applicable to the Bonds has been adjusted to SEK 130. The new Conversion Price is effective as from November 1, 1993 but with retroactive effect as from September 29, 1993.

> Stockholm November 1, 1993 SVENSKA CELLULOSA AKTIEBOLAGET SCA The Board of Directors





SQUARE D COMPANY

Атапдел

US \$ 150 000 000 Credit Facility

CREDIT NATIONAL

NATWEST CAPITAL MARKETS BAYERISCHE LANDESBANK

BANK OF MONTREAL BANQUE NATIONALE DE PARIS

BANQUES POPULAIRES CANADIAN IMPERIAL BANK OF COMMERCE (INTERNATIONAL) SA

CAISSE CENTRALE DES

SOCIETE GENERALE

BANQUE FRANÇAISE DU COMMERCE EXTERIEUR

> UNICREDIT -GROUPE CREDIT AGRICOLE CREDIT LYONNAIS

UNION EUROPEENNE DE CIC

BANQUE PARIBAS



Sculley unveils expansion strategy for Spectrum

MR JOHN Sculley, the former chairman and chief executive of Apple Computer, who last month joined Spectrum Information Technologies, a small technology development company, yesterday unveiled aggressive expansion plans. Spectrum said its founder and two other executives had

resigned, that it would cut back a loss-making operation and that it has acquired a small engineering group.

Mr Sculley's decision to join Spectrum last month shook the computer industry because the

company has a history of losses and legal disputes. In a lawsuit settlement, Spectrum said it had agreed to pay its shareholders \$1.5m in cash and issue 750,000 warrants to buy stock at prices at or above the current market price. The lawsuit was filed by



shareholders in May when Spectrum's stock price dropped sharply after AT&T challenged the company's claim that a licensing agreement could be worth hundreds of millions of dollars in royalties.

Spectrum admitted no wrongdoing in the settlement and said it was trying to end the "disruption of basic operations and to avoid the nuisance and costs of protracted litigation". It said nearly all the cash payment

will be covered by insurance.
The company said the resignations of Dana Verrill, its founder and former chairman, John Rule, vice-president of corporate development and Katherine Bachand, in charge of investor relations, were on amicable terms. It also announced cuts at its Data One, a mobile communications systems hardware and related services subsidiary.

"Our strategy now is to move out of direct hardware sales to end-users and to refocus our communications services investment towards contract engineering and consulting services," said Mr

securitisations, which bankers say could constitute a multi-billion dollar market. The Mexican government has awarded concessions on more than 4,000km of toll roads in the past five years, and construction companies

Tribasa

securitises

toll road

revenues

TRIBASA, the Mexican

construction company, has

sold \$110m of bonds in the

Euromarkets backed by the

revenues from two private toll

roads. It is the first successful

international toll road securi-

tisation by a Mexican com-

pany this year.

The bond offering was oversubscribed, with about 80 per
cent of the demand from the

US and the remainder from

Europe. The bonds, of an aver-

age maturity of 8.5 years, were

priced at 10.5 per cent, 500

basis points over US Treasury

The demand for the bonds

augurs well for other Mexican toll road and infrastructure

bills of the same period.

By Damian Fraser

in Mexico City

are keen to off-load debt by securitising the roads. The finance ministry is planning to securitise the stateowned Cuernavaca-Mexico City toll road in the international markets in January next year. The securitisation. which had originally been planned for September, may

fetch about \$600m. So far, Mexico's toll road programme has been plagued by the poor performance of many of the roads, with traffic use far below projections and construction costs far above. However, the government and construction companies are working to resolve the problems by agreeing on capital increases for the troubled

Tribasa sought to reassure investors concerned about a devaluation or low traffic by agreeing to extend the life of the toll road bonds to 18 years should US dollar revenues fall

The two roads securitised Pacific Cost.

Gemms come back into fashion Sara Webb looks at the recent turnround in interest in trading gilts

ILT trading is back in fashion again, if the latest round of musical chairs is anything to go by. Securities houses are queueing up at the Bank of England for approval to set up as gilt-edged market-makers, or Gemms, lured by the prospect of earning healthy profits.

The recent spate of hirings of gilt traders, sales staff, economists and trading strategists is testimony to the fact that at least two houses have serious intentions of setting up in the near future.

Yamaichi International (Europe), the European arm of the Japanese securities house, is expected to start operating as a Gemm later this month while Merrill Lynch is likely to follow suit soon.

Both have been busy recruiting to complement their existing bond trading operations. Yamaichi hired Mr John Shepperd and Mr Nigel Richardson. two of S.G. Warburg Securities' better-known UK economists, Mr John Battve (Warburg's head of gilt sales), and Mr Jim Goodey (NatWest's head of gilt trading), as well as three gilt traders and three sales staff.

Meanwhile, Merrill Lynch has hired Mr Stephen Rumsey, former chief executive of BZW's bond operations, Mr Ifty Islam, BZW's gilt economist, Mr Dominic Franklin, from BZW's Eurosterling operations, Mr John Standeven, a bond analyst at BZW, Mr Tony Gray, Daiwa's short-dated gilt trader, Mr Alex Miller, NatWest's medium-dated gilt trader, and Mr Jeff Derx, NatWest's head

In addition to Yamaichi and according to the Bank of

Merrill, ABN-Amro of the GELT-EDGED MARKET MAKERS' Netherlands and Chemical Bank are understood to be con-PRE-TAX PROFITS (LOSSES) Year-ending December 31 (2m) sidering setting up as Gemms. 1991 1992 The desire for such status marks a turnround in interest 25.67 37.17 BZW in gilt trading. Following the Salomon Brothers 5.99 14.1 3.54 10.64

Greenwell

Kielnwort Benson

Nomura Gits1

Daiwa Europe

Sec.⁴ S.G.Warburg

Gift-Edged

BT Gits

JP Morgan Sterling Sec.

Baring Sterling

Bonds Doutsche Bank

CSFB (Gitts)

ies House.

Goldman Sachs²

Lehman Brothers

Gerrard & National

(0.333) 6.28

2.93 5.60

(91/2) (92/3)

(91/2) (92/3) (3.732) 2.43

(91/2) (92/3) 1.73 1.291

3.239 1.053

(0.955) 0.171

(1.699) (0.196)

0.167 (4.25)

* Nomina: your ending March 31, * Dawer your ending March 31,* GS: year ending November 27, * GMM: your ending April 5; * Viense y, your

your ending April 5; 1 Vilanum; your ending March 31; 1 from incorporation in 9 Dec 1991 to March 31, 1993

England. The overall post-tax

return on the Gemms' starting

capital was 15 per cent in 1992,

up from 12.4 per cent the previ-

The table shows the profits

made by the Gemms in 1992

and in some cases, 1992/93 (the

most recent years for which

figures are available), taken

from accounts filed at Compan-

BZW, the UK securities

(1.437)

5.347

reorganisation of the gilt market at the time of Big Bang. several houses found they could not make sufficient money and pulled out. These included both Merrill and Hoare Covett, now owned by ABN-Amro. The sudden demand for gilt

specialists means firms are having to pay dearly for quali-fied staff, with market rumours circulating of sevendigit salaries and three-year guaranteed contracts. Clearly, some Gemms are worried their best people will be poached by

nevicomers. The combination of falling interest rates and high government debt issuance (after a period in which the government was buying back debt and the size of the gilt market had shrunk) provide an ideal scenario for making profits out

Mr Bob Pearce, head of gilt sales at Salomon Brothers. said: "Since we left the ERM, we've been in a major bull market. We've been helped by favourable financing conditions since the positive shape of the yield curve means there is a lower funding cost for long positions."

Gemms as a group - there are 19 - posted an increase in overall profits in 1992 for the third year in a row. Their combined post-tax profit amounted to £65m, up from £49m in 1991,

for the fourth consecutive year, with pre-tax profits of £37.174m.

It was helped by the diversity of its trading strategies, which helped to spread risk, although rivals point out that BZW's figures include not only gilt trading but also its Eurosterling and Ecu govern-ment bond business, whereas some houses only include their gilt operations in the figures

they file. The Eurosterling sector has seen record new issuance this year and several houses are thought to have benefited from Eurosterling bonds offer a better margin (in terms of the bid-offer spread), and generate fee income for lead man-

The ranking of Gemms' profits is a matter of much rivalry. "The fundamental thing is you don't have a true league table of profits in this area as the figures are not strictly comparable," complained one Gemm. who preferred to remain anon-

While 1992 has clearly been a good year for most Gemms, many expect 1993 to be as good or even better, due to the continued rally in the gilts market and the prospect of continued new supply. If the immediate future looks rosy, though, some warn that as interest rates bottom out, 1994 could prove a more difficult year for making profits.

"You wonder whether some of these chaps who are coming in now are getting in at the top of the market," scoffed one vethouse, retained its position eran of the gilt market.

All-round gains at Equitable

By Richard Waters in New York

 $\{ v_i \}_{i \in I}$

11111

THE EQUITABLE, the US insurer 49 per cent owned by Aza of France, repaid its recent star billing by Wall Street analysts with third-quar-ter results which showed a furits operating position.

Net income for the three months to end-September rose to \$71.3m, or 32 cents a share fully diluted. A year before, excluding costs of the compa-ny's demutualisation, Equitable earned net profits of profit margins, which more

LVD, Belgium's biggest

machine tool company, is plan-ning to begin manufacturing in

China to take advantage of

growth prospects in Asia for

machines that bend, punch and

The expansion will be one of

ments in Asia by European

By Andrew Baxter

cut sheet metal

٠.

TOWAY

nai(fara) ^a

\$32.7m or 18 cents a share. The company's shares, which shortly after its flotation in July 1992 traded at a low of

The company benefited from a strong performance in both ther all-round improvement in its life insurance and investment services businesses. Posttax profits in insurance rose to \$21.4m from \$17.4m a year earlier, before capital gains and other special items.

The improvement resulted from reduced costs and higher

template such a move.

larger, are Amada of Japan

The family-owned concern

has parrowed down its choice

of Chinese partners to two,

and Trumpf of Germany.

machine tool companies, most said Mr. Jean-Pierre Lefebvre.

than offset higher than expected mortality during the ouarter.

Capital gains after tax were \$7%, jumped yesterday morning by \$1% to \$26%, before set-\$24.3m, compared with a \$15.1m loss a year earlier. tling back to \$26%. Investment services - which

includes Donaldson Lufkin & Jenrette, the stockbroker in which Equitable is expected to float a minority stake, Alliance Capital Management, and Equitable Real Estate Investment Management - saw net income rise to \$56.9m from \$47m. DLI was the largest contributor to growth, with a 14.9

Belgian tool group looks to China president. The plant could be of which are two small to conin operation by late next year. It would also be the first Mr Lefebvre said Asia western or Japanese company accounted for 35 per cent of LVD's \$90m turnover last year, in the machine tools sector to start manufacturing in China. LVD's two main rivals, both up from 15 per cent in 1990. He added that Asia was the

only region where the com-

pany saw substantial growth

over the next few years. China

products made there were wel-

short of those forecast. were the heavily used Ecatepec-Pirámides road near lar Armeria-Manzanillo on the

JP Morgan invests in China capital fund

By Tony Walker in Beijing

JP MORGAN, the US investment bank, plans to set up a China fund to invest in Chinese enterprises with emphasis on the energy, telecommunications and food processing sectors.

Mr Weijian Shan, vice-president of corporate finance, said JP Morgan aimed to mobilise funds to "help China's eco nomic development, and help our foreign clients seek new

investment apportunities at the same time" Mr Shan said the bank would

establish representative offices in Beijing and Shanghai within the next few months to help spearhead its drive into China which is "gripped by a capital

JP Morgan's decision to focus on China investments is part of an accelerating trend among US institutions. are beginning to take developments in the Chinese economy

more seriously. Mr Shan predicted Chinese organisations would raise up to \$1.2hn in US capital markets over the next 18 months and that at least half the amount raised would be in Yankee bonds.

About \$400m has been raised in the past year or so by Chinese organisation in the US

market. Lingering disputes over munist takeover in 1949 had, until recently, precluded Chi-

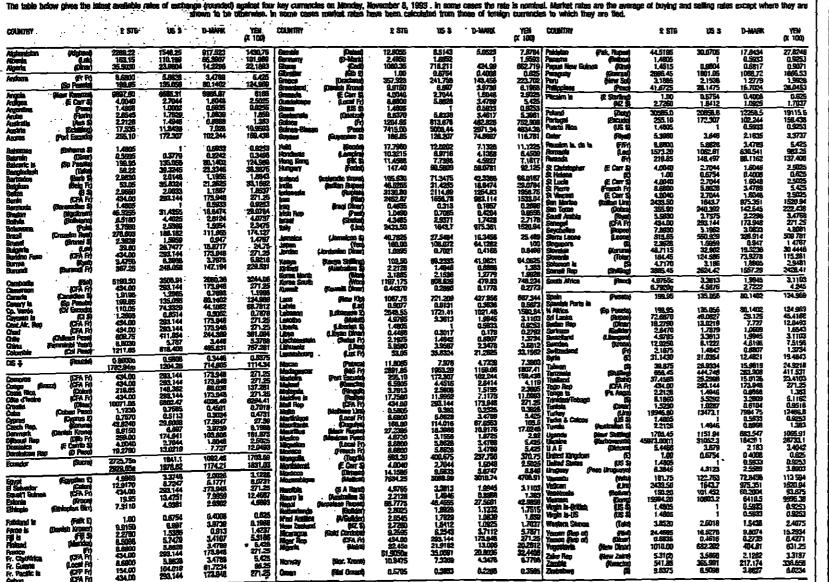
 JOHN Cleghorn, president of the Royal Bank of Canada, said the bank may sell commercial property loans and repossessed commercial real estate to US investment banks specialising in the field, writes

nese capital-raising in the

Robert Gibbens in Montreal. The Royal is making a fur-ther C\$750m (US\$570m) provicover potenti on its C\$8bn commercial property portfolio.

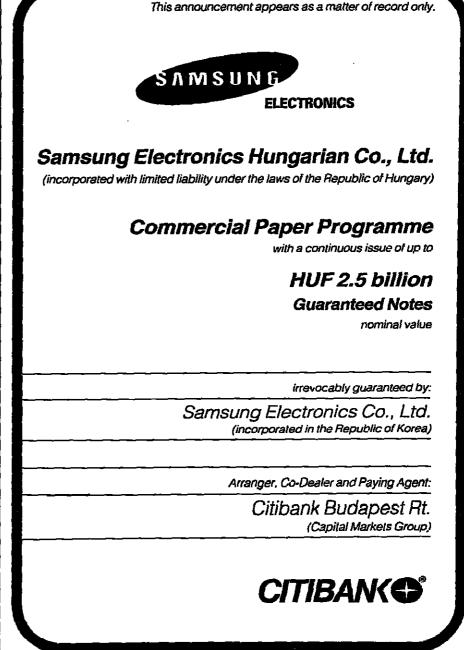
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Long bond slips further as mood becomes cautious

By Frank McGurty in New York of the Treasury's threeand Tracy Corrigen in London

US BOND prices fell further yesterday but European gov-erument bond markets mainly drifted. Last week's sell-off appeared to be petering out, with European markets uncoupling themselves from the US, but the tone of the market remained uncertain. Last week, selling of US Treasuries fed through into

GOVERNMENT BONDS

European bond markets, as the approach of the year-end encouraged a spate of profittaking, in what for many houses has been a record year

for bond trading. Dealers said the focus is shifting back towards the economic fundamentals of individual markets, but European markets are still vulnerable to weakness in US Treasuries.

THE US long bond lost fur-ther ground yesterday morning as traders nervously awaited this week's reports on October inflation. On the short end of the maturity range, prices edged higher ahead

year and 10-year note auctions. By midday the benchmark 30-year government bond was down % at 100%, with the yield rising to 6.221 per cent. At the short end of the market, the two-year note was i higher at 99 k, to yield 4.141 per cent. Trading was light.

In the wake of last week's big sell-off, the mood was decidedly cautious as yesterday's session opened. On Friday, upbeat data on US employment intensified fears in the Treasury market that the economy was picking up steam after a long period of slow growth.

Bond traders tend to react negatively to indications of expansion out of concern over inflation. Tomorrow's report on pro-

ducer prices could feed those fears, or at best, hold them temporarily at bay. On Wednesday, the negative sentiment is likely to be reinforced by the release of consumer prices figures, which

are expected to show a jump of

0.4 per cent largely because of

■ THE JAPANESE government bond market, which shrugged off the turmoil in

a new tax on petrol.

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	F	FIXE	ואו ס	ERES	T IND	HCES		
	May 8	Nor 5	Nov 4	Nov 3	Hov 2	Year ego	High *	Lon *
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other markets last week. continued to outperform the rest of the market, gaining close to half a point yesterday. Three-month certificates of deposit were issued at a recordlow 2.33 per cent, which helped fuel the rally in the bond market. Dealers said the futures

market was particularly firm.

■ THE GILTS market also performed well yesterday, gaining ¼ point. In fact, sentiment in the gilts market appears to have recovered better than in other European markets. helped by some encouraging economic data.

Yesterday's producer price data showed a 0.2 per cent rise in output prices and a 1.1 per cent fall in input prices in October, which provided further

assurance that inflationary pressures were at bay. Hopes of a further rate cut are still intact, but the stronger performance of the short end of the market last week was partially reversed yester-

■ AFTER holding its ground well last week, the German government bond market put in a rather lackhustre performance yesterday.

bund market failed to benefit from a downward revision of German M3 data, even though analysts said the positive data makes further rate cuts by the Bundesbank more likely. The December bund future

on the London International Financial Futures and Options Exchange ended down

		Coupon	Red Date	Price	Change	Yield	Week ago	Mon
AUSTRALIA		8.500	08/03	120,2227	-0.414	. 6.65	0.42	: 6U
BRUM		8.000	- 09.03	118,2000	-0,150	7.08	. 7.10.	7.5
CANADA .		7,500	12/03	104.6600	+0,460	6.65	: 6.84	8.7
DENMARK		8.000	05/03	110,5900	-0.120	. 6.48	6.43	. 64
FRANCE	STAN	5.750 6.750	11/98 10/03	101,2245 104,5300	+0.043 -0.010	5.46 6.13	5.44 5.99	.5.i
GERMANY		6.000	09/03	100,6180	+0.030	5.91	. 5.58	: 5,1
TALY		10.000	-08/03	104,2350	+0.090	9.54†	8.18	. 91
JAPAN	No 110 No 167	4.500 4.500	06/08 06/03	108,3086	+0.151	2.88 3.51	7.02 3.58	.0.2 3.4
NETHERLA	eos	7,000	02/03	107,7000	+0.070	5.89	5.85	- 61
BPAIN		10,900	08/03	114,0000	+0.300	8,66	5.43	<u> </u>
UK GILTS		7.250 8.000 9.000	.03/98 08/03 10/08	104-06 107-17 115-26	+4/32 +8/32	6.15 6.91 7.25	.: 6.23 . 5.69 .: 7.23	6. 6. 7.
U\$ TREASL	IRY -	5.750 6.250	08/03 08/23	100-08 100-06	+7/32 +3/32	5.71 6.24	- 5.50 6.00	5. 6.
ECU (Frend	h Goviș	8,000	04/03	109.9500	-0.080	8.66	6.40	· . 67

0.04 point at 99.34.

■ MARKETS in both Spain and Italy remained volatile, but dealers said this was due largely to internal political problems rather than outside influences. Spanish bond prices fell more than ¼ point, and Italian bonds lost ground.

■ FRENCH bond prices ended the day virtually unchanged in thin volume. Dealers said that

volume is likely to be low this week, ahead of Thursday's Armistice Day holiday. The December bond futures contract on the Matif in Paris ended at 123.12, down 0.14 from

Having substantially underperformed the German bund market last week some dealers now believe that the 10-year yield spread of more than 20 basis points represents a buying opportunity.

Philadelphia merger would consolidate options trading

By Laurie Morse in Chicago

THE unsolicited bid for the Philadelphia Stock Exchange (Phlx) launched by the Chicago Board Options Exchange would consolidate options trading in the US and out the Chicago exchange back into the growing business of foreign currency options

The deal, if successful, would also broaden the largest US option exchange's reach into the regional stock dealing busi-

CBOE members trade options, not stocks, on the exchange's Chicago floor, but the CBOE does a quietly lucra-tive business clearing stock trades through its regional electronic subsidiary, the Cin-

cinnati Stock Exchange. The terms of the CBOE's merger proposal, made last week, were not disclosed, but published reports value the offer at \$60m. The Philadelphia exchange has 505 members.

The fifth-largest stock exchange in the US, the Phix has had a record year. Although the bulk of its business is stock and equity options trading, about 10 per

cent of its turnover is foreign currency options. The disarray in the ERM has brought big trades to the Phlx. particularly to its French franc and D-Mark •

options pits. The CBOE briefly traded foreign currency options in the 1980s, but ceded victory to the Phix in 1987, passing its open (accounts to Philadelphia in a good-natured surrender. Since then the Phix's foreign exchange dealings have grown

dramatically. Mr Nicholas Giordano. Phix president, said his board would consider the CBOE's proposal. The Phix rejected a similar takeover bid from the American Stock Exchange in

• Mr John Davidson, for seven years the head of the Chicago Mercantile Exchange's clearing house, is to become manager of Morgan Stanley's US derivatives operations on

In his new job he will over-see clearing for Morgan Stanley's on and off-exchange derivatives trading, and will maintain a "continuing interest" in the discussions over a clearing house for off-exchange

Canadian borrower's C\$1bn offer dominates issuance

By Antonia Sharpe

A C\$1bn offering of five-year global bonds from Canada Mortgage and Housing Corp (CMHC) dominated a relatively heavy day of issuance in the international bond market yes-

The offering is designed to establish a benchmark for the government-owned issuer's initiative to lend directly to social housing projects. CMHC plans to raise CS2bn a year over the next five years in order to refinance existing mortgages. Syndicate managers said that CMHC's bonds were snapped up by investors because of their premium of 15 basis points over the yield on underlying Canadian govern-

Around 80 per cent of the issue was placed equally in North America and Europe and the remaining 20 per cent was sold into Asia. Non-Japanese investors in Asia were particu-

larly keen buyers. When the bonds were freed to trade, the spread tightened to 12% basis

The volume of new Eurobond issues is expected to INTERNATIONAL

BONDS

remain high for the rest of this week. Landesbank Rheinland-Pfalz, the central bank for the savings banks in that German state, is likely to launch a \$500m five-year offering today. The bonds, via Goldman Sachs, are likely to be priced to yield between 20 and 25 basis points

over US Treasuries. Landesbank Rheinland-Pfalz, which has a high double-A rating, has done some small Eurobond deals in the past year but they have been targeted mainly at retail investors. Today's offering is seen as the start of an international bor-

There is a growing trend among German banks to shift the emphasis of their funding away from the domestic German bond market. For example. Depfa, the German mortgage bank, has been active in the international bond market in recent months and is likely to tap the French franc sector

BAT Industries, the

Anglo-American conglomerate. is widely expected to raise \$500m through an offering of 10-year Eurobonds today. The bonds, via CSFB and Goldman Sachs, are likely to be priced to yield around 70 basis points over underlying US Treasuries. Among yesterday's other new issues, the FFri.lbn sev-en-year offering from Electric Power Development Co (EPDC), the rarely-seen Japanese government agency, sold more quickly than the FFr1.3bn 10-year deal from Andalucia, the Spanish auton-

Syndicate managers said that the rarity value of EPDC enabled it to achieve a relatively tight yield spread of 20 basis points over underlying French government bonds. When the bonds were freed to trade the spread remained

mtact. By contrast, Andalucia's bonds remained in syndicate

overnight to allow time for the

US POLLARS Tribesa Toll Road Trust 1(s) Benco Resi FRENCH FRANCS CANADIAN DOLLARS Canada Montgage & Housing GUILDERS De Nistionale inve AUSTRALIAN DOLLARS

Far East. It was widely thought that last week's French franc offering from Catalonia had stolen the thunder from Andalucia. Elsewhere, the International

Finance Corporation (IFC), the private sector arm of the World Bank, announced that it was buying back up to \$150m of four outstanding Eurobond

bonds to be marketed in the issues which are close to redemption. The repurchase programme was designed to enhance value for holders of the high-coupon bonds since they were trading at a substantial premium to par. The move also allowed the IFC to extend the maturity of its debt and to re-finance old, high-coupon debt with cheaper, current-coupon paper.

NEW INTERNATIONAL BOND ISSUES

	Amount ff.	Coupon %	Price	Maturity	Fees %	Spreed top	Book remer
	110 60	10,60# 8.50#	100.00R 99.456R	Dec.2011 Nov.1998	1,625R 1,00R	+425(VA 3YI)	Selomon Brothers Intl. ING/ West Merchant Bank
#a Xo	1,3bn 1.1bn	6.25 8,00	97.77R 100.00R	Dec.2003 Dec.2000	0.375R 0.30R	+44 (6%%-03 +20 (6%%-00	Benque Paribes Banque Paribas
	1bn	6.00#	99.825R	Dec.1998	0.275R	+15 (6½%-98	ABC Dominion Securities
:	400	5,75	99.95R	Dec. 1999	0.20R	+20 (b)	ING Benk

100.64 Dec.1996 1.50

Finnish investment house to market fund in the UK

By Antonia Sharpe

STRONG foreign interest in Finland's resurgent stock mar-ket has prompted Arctos, one of Finland's five leading investment houses, to market its most recent investment fund to institutions in the UK.

Finland's stock market has almost doubled in value this year on signs that its economy is recovering from virtual collause two years ago. The abolition of restrictions on foreign ownership of shares at the start of this year has also con-tributed to the big improvement in daily turnover. cer of Arctos Asset Manage-

Mr Topi Piela, executive offiment, said yesterday the open-ended fund offered foreign investors an exposure to size of the full high-technology and export-ori- FMZbn by 1998.

areas in the Finnish economy. In addition, the fund is the only Finnish investment fund to use derivatives, mainly index and stock options and futures, to protect itself against falls in equity prices and to produce an additional

The fund's hedge against downside risk should attract foreign investors who have been put off Finland's stock market by its high volatility, of around 30 per cent. This compares with between 15 to 20 per cent in other countries.

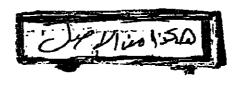
The Guernsey-registered fund has attracted FM40m from domestic investors since its launch at the end of May. However, Mr Piela expects the size of the fund to reach

390 23½ 34 40¾ 6 13 18½
420 8 18 26 21 26½ 33½
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420 5 12 18½ 24 31 33½
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THE GERMAN PFANDBRIEF

SOLID VALUE FROM THE GROUND UP

When this classic example of German quality workmanship first came off the assembly line in 1945, the Pfandbrief idea in Germany was already 175 years old. Today, Germany's Pfandbrief system is still going strong, accounting for about 40 % of the entire fixed-interest securities market in Germany. This means about DM 832 billion invested in outstanding Pfandbriefe at year-end 1992, of

which the nation's 26 private mortgage banks accounted for DM 503 billion. International investors seeking currency diversification have to be impressed with the stability of the D-Mark. And with the time-

tested endurance and safety of Germany's Pfandbrief system. What's more, investors with very low risk tolerance have to like the fact that Pfandbriefe generally provide higher yields than German Treasury bonds (Bunds). Pfand-

briefe in Germany are bonds of a special

kind, issued to refinance mortgages or public projects. What makes them so special are the many requirements stipulated by Germany's Mortgage Bank Act. For instance, Pfandbriefe can only be issued by specially authorized banks which are also fully liable for each issue. They are secured by mortgages or by public-sector loans. They must carry backing of separate funds with at least matching yields and maturities. And all Pfandbriefe are monitored by a trustee designated by the state. The track record for safety? No investor has ever failed to receive 100 % repayment of a Pfandbrief held to maturity. To find out why some things improve with age, have a look at Germany's Pfandbrief system.

SOME THINGS IMPROVE WITH AGE.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN
BAYERISCHE VEREINSBANK AG, MÜNCHEN
HYPO-BANK, MÜNCHEN
DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.- GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHE
HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

Forte dispute poised to resume

THE DISPUTE between Forte and the Savoy group could resume today as the two sides begin discussions over who should take over the leadership of the Savoy's hotels.

Forte is expected to resist strongly any attempt to elevate Mr Giles Shepard, Savoy's managing director, to the chairmanship when the Savoy board meets today. Forte, is also expected to oppose any move to make Mr John Kemp-Welch, joint senior partner at Cazenove, the chairman

Mr Rocco Forte, Forte's chairman, and Mr Donald Main, the group's finance director, both sit on the Savoy board. An acrimonious 1980s takeover battle left Forte with a majority of Savoy shares but a minority of voting shares. Both Forte and Savoy refused

Sir Anthony Tuke, Savoy's current chairman, is expected to retire in May next year. Both sides regard him as having been even-handed. Forte is ment of Mr Shepard or Mr be closer in their candidate to



Giles Shepard, Savoy's managing director: Forte is expected to resist strongly any attempt to elevate him to the chairmanship

Kemp-Welch on the grounds that they have been too closely associated with Savoy. Forte's layoured candidate is thought to be Sir Michael Richardson, chairman of brokers

Smith New Court,

be chief executive: both favour Mr Willi Bauer, chief executive of the Wentworth golf and country club group. Mr Bauer, former general manager of the Savov. held talks with Forte during the

summer about becoming the

head of the Forte Exclusive

portfolio of hotels, which includes the Hyde Park in Lon-don, the George V in Paris and the Ritz in Madrid.

Mr Bauer said he decided not to take the Forte job because it would have required too much foreign travel.

Running the Savoy group. whose hotels also include Claridge's and the Connaught, would involve less foreign travel than the Forte job. Although Mr Forte and Mr Bauer clashed strongly during Forte's bid for the Savoy, their recent discussions are said to have been amicable.

Mr Baner was unavailable for comment. He is believed, however, to have been approached by the Savoy. He dined at Claridge's with Mr Shepard last Sunday night. Under an agreement betwee the two parties, Forte has said

it will give 12 months notice of its intention to bid for Savoy. The right to give notice began at the beginning of this month. As it is a rolling 12 month period, it will be difficult for Forte to activate, as giving notice would probably result in an increase in the

Angry Ferranti holders form group

By Paul Taylor

DISGRUNTLED Ferranti shareholders. concerned about GEC's proposed to a share bid for the troubled defence tronics group, plan to form a shareholders' association to obtain independent professional advice on the offer and to represent

The association is being formed by Mr John Katz, an investment consultant who has emerged as a focal point for Ferranti shareholder discontent, together with

was looking at the proposed GEC offer for certain shareholders, I have been besieged by shareholders wanting to be part of a certed group," Mr Katz said. More than 400 shareholders, representing about 20m shares, had contacted him so far.

Mr Katz, who runs the investment research consultancy John Katz & Associates, said yesterday that the planned Ferranti shareholders' association would have a number of objectives including obtaining all necessary information on the merits of GEC's £10.1m offer. dent values for Ferranti's fixed and intangible assets, including its £172m order book, putting a value of the group's operating subsidiaries and obtaining comme cial valuations for other intangible assets including the group's unutilised tax losses. The association would also deal with the

Ferranti directors and their advisers as a oup representing a significant stake in the company "with a view to coming into an active negotiating position to achieve a 'stay in' position with a chance of recovery

Wardle Storeys declines to £8.04m

By Catherine Milton

WARDLE Storeys, the plastics and safety equipment company which has more than £30m cash, showed full year pre-tax profits down, mainly because of lower interest earnings and an accounting change.

The company had flagged difficult conditions in its last report and accounts, but shares fell 17p to close at 431p. The company said interest rates are likely to fall further, while trading conditions in the UK showed no sign of recovery

and continental European mar-

THE TAKEOVER Panel is-

likely to give a rap on the

Asset Management, a US

investment adviser which ves-

terday belatedly disclosed 24

transactions in the shares of

Spring Ram, the UK kitchens

and bathrooms group.

The transactions dated from

late August to mid-October,

and all should bave been

kets were in "disarray". Pre-tax profits fell from £9.81m to £8.04m in the year to (£50.6m). Under FRS 3, Wardle re-classified a £563,000 extraordinary gain as an exceptional, which raised the comparative

Mr Brian Taylor, chief executive, said: "We have been trying like hell to make an acquisition. No-one, least of all me because I own 13 per cent of the company, is maware that we ought to transfer that cash into operational assets. "It is easy to make an acqui-

sition but difficult to make a good one.' Mr Taylor said profits over

the past three years had been a function of introducing new products as much as efficiency

declared within 48 hours

under rule 8 of the UK Take-

over Code. Spring Ram was in bid talks until the end of last

month with Masco Corpora-

tion, the US building products

firm, but these have now ended.

Mitchell Hutchins' stake in

Spring Ram peaked at 1.74 per

cent in mid-September and

stood at just over 1 per cent after its most recent disposal,

on October 13.

measures. Cost cutting could not go on indefinitely but he said the company had proven its ability to increase the yield from raw materials and to make all kinds of economies on a continuing basis. Operating profits slipped to

£5.84m (£5.93m) and net cash fell slightly with interest income down at £2.21m Earnings per share dropped to 21.7p (25p) and the board is

recommending a final dividend of 12.25p (12p) giving a total for the year of 17.25p (16p).

By Richard Gourlay

Wardle's reliably good yield should provide some support

for its shares. However, the market is unhappy about con-tinuing poor trading conditions and disappointed by these results notwithstanding Ward le's early warnings. The fig-ures include the benefit of a roughly 10 per cent drop in the price of PVC, a significant raw

the key is putting the compa-ny's cash to better use by acquisition. On forecast pre-tax Storm Group, the USM-quoted profits of £8.5m earnings rise to 23.1p giving a multiple of 20 times which is unlikely to find £628,000. many buyers.

material for the company's largest division, technical prod-ucts. This drop reversed in October. Meanwhile both the City and the company know

Dealings are expected to begin on November 15. Spring Ram transactions | Swiss to get Celltech stake

help ABF to £338m

By Maggie Urry

One-off

factors

ALTHOUGH profits from Associated British Foods, the Kingsmill bread, Ryvita and Burton biscuits, and Silver Spoon sugar group, were sig-nificantly above market expectations, much of the 26.6 per cent rise in pre-tax profits to £338m was due to one-off factors and higher investment

The period covered 53 weeks, with the extra week dding about £5m to pre profits. Translation effects added £9m to profits.

Operating profits were only 1.5 per cent higher at £273m. Within that, trading profits from the British Sugar beet business rose from £139m to £162m thanks to a record harvest in 1992-93, the revaluation of the green pound and greater efficiencies. This year's harvest was lower but still good, Mr Garry Weston, chairman, said.

Total manufacturing operating profits from the UK and Europe, including British Sugar, were £200m, up from £191m

Retail profits, mainly the Irish supermarket business, were down from £45m to £34m, but this included a £10m fall to £13m in the first half. Mr Weston said price cut-ting in the first half had eased in the second and ABF had recovered market share.

Profits from Australia and New Zealand were up 16.1 per cent to £36m mainly through translation gains. North America, largely Twinings tea, con-tributed £3m, a £1m rise. Pre-tax profits also included

investment income of £83m (£67m) less interest of £84m (£41m). The group's net cash holdings rose from £409m in the 1992 halance sheet to over £500m. There was a £4m (£2m) profit on property sales.

ARF recorded a £12m rise in

the value of its 18.8 per cent stake in Berisford International, after losing £22m on the shares in 1992 and £180m in 1991.

Earnings rose 37 per cent to 50.7p. A second interim dividend of 6.5p (5.5p) makes a 15p (14p) total.

Storm placing

animation, licencing and mer-chandising concern, is placing 3.75m ordinary 1p shares, or 4.97 per cent of its equity, for cash at 17p each, to raise some

> shares closing at 110p. Hiscox has raised some £30m in capital. The larger HCG Lloyd's Investment Trust, which raised 265m when it was launched late last month,

over the year ended September

30, up from 60.47p to 92.82p

basic. Fully diluted, the figure

Net income after tax rose

from £1.29m to £1.55m, with

(0.64p) is recommended, to give

rose from 60.43p to 89.83p.

and 112,000 shares in HCG said one specialist. changing hands. Analysts suggest investor interest in listed shares will be restricted until all the trusts have come to the market. "They are coming thick and fast at the moment.

The outcome for the 12

months to June 26 compared

with a loss of £1.28m last time

and with a profit of £76,000 at

the interim stage. It was struck

on turnover down slightly at

Earnings per share came out at 2p (20.1p losses). No divi-dends have been paid since

May 1991. The shares closed up

Estates & Agency

With income static and no

year's figure. Estates & Agency Holdings, which owns property

investments in the UK, saw

pre-tax profits for the year to June 30 slide from £1.11m to

Operating profit was down

from £787,000 to £708,000 and there were no exceptionals this

year (£324,000). Income was

\$5.06m (\$5.05m). Earnings per

share came out at 9.64p - a 7.33p decline of which 5.4p

relates to the exceptional

income taken in 1992. The delayed sale of the site

at Marsh Mills in Plymouth

has now been completed and

the directors can therefore rec-

ommend a final dividend for

both 1992 and 1993, of 2p and

7p respectively: With the addition of the interim of 0.5p (1992 2.5p and 0.5p) this makes an increased total for the year of

£11.5m (£11.8m).

20 at 150.

£708,000.

Ten trusts have now raised more than £600m in equity capital to support underwriting at largest schemes, London Insurance Market Investment Trust



First International Group Companies **Hubert Shipping Limited** Horatio Shipping Limited

U.S. \$63,900,000

Newbuilding Product Tankers Pre-Delivery and Post-Delivery Finance

Provided by Commerzbank AG DNI Inter Asset Bank N.V. De Nationale Investeringsbank N.V. **ING Bank**

Structured hedge provided by Commerzbank AG, London Branch

Arranged by First International Leasing Corporation

DNI Inter Asset Bank N.V.



CELLTECH, the bio-technology opment programme, and will value Celitech at about £180m. company that issued a pathfinder prospectus yesterday, The shares will be priced on November 25 and the offer closes on December 2.

plans to reserve a fifth of the shares for sale in Switzerland. The Slough-based company, which is a leader in genetic engineering of antibodies, has contracts to manufacture a series of monoclonal antibodies for Roche, the Swiss drugs

The flotation will raise between £30m and £35m for the company's existing drug devel-The administrators of British

& Commonwealth, which currently hold over 36 per cent of the shares, will end up with a less than 10 per cent stake after selling in the flotation.

1907年 1908年 1908年

Clean break for Owners The track of the Part of the P Abroad OWNERS ABROAD, the

holiday company that narrowly escaped being taken over early this year by rival Air-tours, has made a clean break from the advisers and brokers who led the defence.

Mr Michael Julien, Owners new chairman since August, has replaced Samuel Montagu with Lazard Brothers as advisers and UBS Phillips & Drew with SG Warburg as brokers.

Profits of Adam & Harvey, the international distribution and steel stockholding group, rose from a depressed £2.49m to £2.55m pre-tax for the half year

General Trust saw a 53 per

Aft Foods Adam & He British Emp

a total of 0.93p (0.89p). Bula Resources Bula Resources, the Irish exploration company, suffered a pre-tax loss of I£1.39m (£1.32m) for the first half of 1993, after charging an exceptional item of Elliam arising on the disposal of its UK operations. This compared

with a 1£33,000 profit last time. Turnover from continuing operations was I£581,000 (I£618,000) and the operating loss came to I£174,000 (I£55,000 profit). Losses per share were 0.211p (0.006p).

DIVIE	ENDS	ANNO	UNCE)	
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total lest year
Int	6.5	,	5.5	15	14
rveyint	6	Jan 6	5	-	12
ireIn	0.68	Jan 4	0.64	0.93	0.89
int	1.71	Dec 16	1.7	- .	3.4
inint	3`	Jan 21	•	•	-
ravsfin	12.25	Jan 6	12	17.25	16

Dividends shown pence per share not except where otherwise stated. †On increased capital. §USM stock. ‡Second Interim in fleu of final.

National Australia Bank to develop UK insurance

By Nikid Talt in Sydney

NATIONAL AUSTRALIA Bank is seeking to build up a life and asions operation in the UK, and is considering acquisitions, joint ventures or the creation of a new life company.

The Melbourne based bank -

which owns the Yorkshire, Clydesdale, Northern and National Irish banks in the UK and Ireland - has appointed a team of senior executives to develop the insurance activi-ties of these four subsidiaries. This will be headed by Mr John Windeler, currently NAB's chief financial officer, who recently relocated to the UK. NAB has also recruited

three British insurance industry executives - Mr Michael Pinder, formerly marketing director at Prudential Life and Pensions, Mr Jonathan Rasleigh, who was finance and

hit the acquisition trail, looking both within its existing

General Investment Management, and Mr Richard Field,

from the TSB Group. Mr Windeler made clear that, aside from expanding existing "independent financial adviser" operations, NAB is considering a range of ways in which to build up the UK insurance business. These could include acquisitions, a life company "start-up", or joint venture arrangements. NAB is seen as one of the strongest of Australia's banks,

within traditional banking products, but also including insprance and superannuation There has also been speculation that the company would

and analysts note that there

has been emphasis recently on

"cross-selling" - not only

operations director at Legal & geographical areas and, possi-

The planned move into the UK life insurance and pensions industry comes at a time when over-capacity is widely recognised as a problem in the British life industry, and the regulatory regime for companies is expected to become tougher in

the immediate future. But Mr Michael Wadsworth, partner in the insurance prac-tice at consulting actuaries R Watson and Co, said that the prospect of a shake-out in the industry would not dismay newcomers confident they had a competitive advantage which would enable them to continue, and perhaps even to ben-efit from the inability of other offices to survive. "Banks and building societies appear to have the potential to sell long-term products to custom ers at lower cost," he said.

ShareLink surges to £3.7m amid high market activity

Profits were inflated by

£1.47m earned from handling part of the government sale of

SHARELINK Investment Services, the telephone based stockbroker, more than quadrupled its interim profits as stock market activity reached exceptionally high levels.

In its first figures since com-ing to the market last July, ShareLink announced that in the six months to September 80, it had pre-tax profits of £3.68m compared with £785,000 for the same period of 1992. This translated into earnings per share of 16.07p against 3.73p; and permitted the pay-

ment of a maiden interim dividend of 3p, 20 per cent more than predicted in the listing warned Mr Richard Fielding.

BT shares, but there was also a 46 per cent increase over the 1992-93 first half in the volume of nersonal share dealings handled by ShareLink. Turnover rose to £11.25m from £6.04m in the comparable half.
In the normal course of events ShareLink earns the

greater part of its profits in the second half, reflecting the fas-ter tempo of share dealings as the financial year nears its But, this financial year,

tribution of profits between the first and second halves is likely to be affected by the abnormally high level of dealing activity during the sum-

ShareLink has been widening its client base and introducing new products so that it now consistently handles some 10 per cent of all stock

exchange transactions.
It is this enlarging business, manifest in the 143 per cent rise in first half profits after stripping out the effects of the BT privatisation, that led Mr Fielding to estimate that there are "good prospects for further

Profits warning slices 155p off Bespak share price

By Catherine Militor

FOR THE third time this year difficulties in the US health market have sent shares in Bespak. the healthcare manufacturing group, tumbling. They dropped 165p in early trading yesterday before recovering 10p to close at 318p.

The company said that recent announcements by its largest US customer, US Surgical, had prompted the board to warn that group profits for the first six months to October would be half the comparative figure of £5.01m.

Bespak said a decrease in business with US Surgical which accounts for about a quarter of the company's sales, together with uncertainties among other healthcare customers, meant that sales in dollar terms were lower than in the first already shaved about £1m off earlier predic half in the previous period.

The company said its cost base had been built up in anticipation of increased activity. US Surgical has 85 per cent of the market for laparoscopic devices for use in keyhole surgery. Mr Bob King, chairman and chief executive,

said: "The board is totally confident that its overall strategy is right. We had to be bigger in the US. "There is a one-off situation relating to our major customer in the states which is reducing stocks considerably. This comes at a time when one or two other people, in response to the Clinton healthcare reforms, are also de-stock-

Analysts cut pre-tax profit forecasts to roughly £6m for the year from £13.5m having

Light trading in two new Lloyd's trusts

By Richard Lapper

SHARES in two of the new Lloyd's investment trusts began trading yesterday. Hiscox Select Insurance Fund immediately moved to a 10p premium compared to net asset value with the

closed ip up at 101p. Trading was relatively light with 765,000 shares in Hiscox

Interest will be limited until they are all fully traded."

the Lloyd's market. Two of the and CLM Insurance Fund were both launched last week.

NEWS DIGEST

cent increase in net asset value earnings per share coming out ahead at 1.17p (0.98p). An increased final of 0.68p

Adam & Harvey

ended September 30. Turnover improved from £20.23m to £21.32m. Earnings per share rose by 4.5p to 34.5p and the interim dividend is being lifted by 1p to 6p.

British Empire Trust British Empire Securities and

Automagic Automagic Holdings, the USM-quoted shoe repairing and key cutting retail chain, continued its recovery in the second half, ending the year with a pre-tax profit after exception-

Banner Homes improved margins, lower borrowings and reduced interest rates enabled Banner Homes, the USM-traded construction and property group, to achieve to £557,000 pre-tax for the half

year to September 30.

7.5p (5p).

If targets are met for the full year the directors would expect recommend the payment of a dividend for the first time. since 1990.

First half turnover improved from £3.37m to £3.9m. Interest charges were cut to £390,000 (£663,000) and earnings worked through at 4.4p (nil).

Standard Chartered

Standard Chartered is to convene an extraordinary general meeting, at which shareholders will be asked to amend the articles of association and permit directors to issue up to £300m of sterling preference shares.

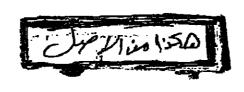
A circular will be issued today and the EGM will be held on December 8. The company also plans a simultaneous secondary listing of its shares in Hong Kong and Singapore, possibly within the next six months. This will either involve a listing of current shares or a share offer to Asian investors.

Bowater

Rexham, the US subsidiary of Bowater, the packaging, printing and coated products group, has sold its Custom Papers Group for \$22m (£14.5m) cash including cash retained by Rexham - to an investment group which includes the senior management of Custom Papers. The buyer has also assumed long-term liabilities of

Custom Papers has sales of about \$90m a year and at December 27 1992 has net assets of \$13m. Bowater acquired Custom

Papers as part of its Speciality Coatings purchase in March.



Mhat do these companies have in common?

to £3.7

Hitachi, Ltd.

Hitachi, Ltd.

Ine Nikko Securities Co., Ltd.

Hitachi, Ltd.

Ine Nikko Securities Co., Ltd.

Shiseido Co., Ltd.

The Bank of Tokyo, Ltd.

Toray Industries, Inc.

They are all members of the FT Japan Club. If you wish to receive the annual reports of these companies, please ring +44-81-643 7181 or fax +44-81-770 3822.

FT JAPAN CLUB ANNUAL REPORT SERVICE

Reduced interest charge

ings in the first year.

He said the combined busi-

nesses should sell 650 to 700

homes this year, equivalent to

months. During the first six

"We are delighted with the

for development at an average

Ward Thomas takes the helm at Yorkshire TV

MR WARD THOMAS, who started Yorkshire Television and put it together with Tyne Tees until the old Independent Broadcasting Authority split the two asunder in 1982, was back again in the chairman's chair at Leeds yesterday.

Mr Thomas had lunch with Mr Clive Leach, the outgoing chairman and chief executive whose resignation he sought over the weekend. As Mr Leach left after more than 20 years at the company, Mr Thomas assured staff that Yorkshire-Tyne Tees had suffered "a bad hiccup, but it is no more than a bad hiccup." The dimension of the "hic-

cup" resulting from overselling of advertising time is certainly around £9m, something that will push the Yorkshire group into a pre-tax loss for the year to September 1992. The loss is likely to be less than £5m.

A financial settlement has already been reached with Mr Leach, who was on a threeyear rolling contract, although the settlement, it is believed, was aimed mainly at protecting Mr Leach's pension rights.

on whether Yorkshire will seek a new chief executive.

It is possible that Mr Ward Thomas, who has moved from his home in the south of France to the UK because of his growing involvement with the ITV group, may continue with Mr John Fairlie, managing director of Yorkshire, and Mr John Fairlie, managing director of Tyne Tees.

As Mr Thomas embarks on the task of trying to reverse the decline in the Yorkshire-Type Tees share of ITV advertising - now down below 10.5 per cent - there were growing rumours in ITV that Yorkshire was not the only ITV company that has been overtrading,

Mr Kenneth Miles, director of the incorporated Society of British Advertisers, said yes-terday: "It's not just Yorkshire, there are certainly others doing the same thing but Yorkshire was doing it in spades."
Mr Miles added: "It matters to the extent that somebody is losing money and it can't only

be the television station."

That, Mr Wootton believes, is the only way to solve the probiem and also the only way "you will get ITV to punch its their advertising through deals

anced sales houses."

price. This is dependent on an

individual company's share of

When advertising is sold on

advertising revenue and view-

too optimistic a station aver-

age price, advertisers get a dis-

count, usually in the form of

further advertising slots. At

extreme levels, companies run

out of airtime in which to fit

the discounted advertising, and

the problem is rolled up from

month to month - until, as in

Yorkshire's case, the music

stops. Industry gossip suggests that both Granada and Carlton

Granada said last night: "We

Mr Tim Wootton, managing

are not overtrading. We are

director of TSMS, the advertis-

ing sales house which sells air-

time for Central. Anglia and

Ulster, said yesterday that "in

the end it is necessary to have

fewer ITV companies and

fewer and more equitably bal-

are both a little "overdealt"

trading in our normal way."



Clive Leach: leaving after more than 20 years with the co

Telspec set for London listing

TELSPEC, a fast growing manufacturer of sophisticated electronic telecommunications equipment, plans to come to market next month through a placing and inter-mediaries offer likely to value the company at more than £40m.

The group, founded in 1975 by Mr Frank Hackett-Jones, an Australian electronics engineer with broad international experience, manufactures equipment which helps telephone operators improve the efficiency of their networks and reduces the cost of installing or expanding local tele-

Mr Hackett-Jones, Telspec's chairman, is expected to sell about 35 per cent of his ersonal stake in the group as part of the personal stake in the group of princi-flotation, which he says is designed principally to lift the group's profile and provide it with "a sound financial base for future

However the flotation will also be used to raise new funds for the company. Mr Carth Riley. Telspec's chief executive, says the new funds will be used to expand Telspec's overseas marketing operations.

of opportunities," he said. The group, which spends about 10 per cent of its turnover on research and development, has manufacturing operations in Rochester, Kent and near Melbourne in Australia and employs about 240 people. It is also considering setting up joint-venture manufacturing operations in South East Asia to address emerging markets includ-

The group has grown rapidly in recent years, buoyed by the wave of telecommunications privatisations and market liberalisation. In the year to December 31 the group posted pre-tax profits of about £3.4m on turnover of £1.8m.

Its main customers include BT, Telecom Australia, Cable & Wireless and Deutsche Bundespost Telekom and it supplies a rap-ldly growing segment of the telecommunications market in Europe and elsewhere. In the developed world many PTT monopolies have recently invested heavily

in converting their main "trunk" networks to digital technology in preparation for new competition. However, telecommunications network December.

"It is a growing industry and there are lots operators are reluctant to invest in the "local loop" - the part of the network which connects local subscribers to the telephone exchange - because of the long payback time.

For example, BT estimates that the existing local loop is used about 4 minutes each day and that it cost £1,500 to connect Most of Telspec's products are aimed at

improving the capacity or usage of exist-ing local telephone lines, traditionally based on a "twisted pair" of copper cables or, in the case of new installations, reducing the cost. The group's products include "pair gain"

quipment, which enables more than one call to be carried on a single line, "line concentrators", which allow a large group of subscribers to share small group telephone lines, and line amplifiers and extenders which enable calls to be carried over longer distances.

Credit Lyonnais Laing, financial advisers for the issue, are expected to issue Telspec's pathfinder prospectus later this month with dealings set to begin in early

EW Fact makes £11m acquisition

accountancy training group with a market capitalisation of just £7.82m, is to pay £11m for Accountancy Tutors Limited.

Mr Suresh Tanna, Fact managing director, said that at his company's suspended share price of 104p the enlarged company would have a market capitalisation of about £18m. A full market listing has been

announced the merger last week with its interim results. but, although the acquisition finalised.

Mr Tanna said that Fact and ATL were in the same market but had different customer bases. Further, Fact is represented in north and central

The £11m consideration is to not be disposed of until April

international healthcare group, closed at SKr121.5 as conditional trading started in Lon-The shares were priced last week at SKr112, giving a mar-BW Fact, the USM-quoted ket capitalisation of SKr2.3bn

Arjo, which is raising SKr1.43bn before expenses, has applied to be listed on both the London and Swedish stock

By David Blackwell

PRE-TAX profits of Prowting,

the Middlesex-based house-

acquired Galliford Homes for

\$22.6m, jumped from £120,000

to £520,000 during the six

The first half improvement

was due mainly to reduced

interest payments which fell

Operating profits by compar-

ison declined from £2.5m to

£1.5m as gross margins came

under pressure following house price falls when sterling left

the exchange rate mechanism.

House prices have since sta-bilised and Prowting expects

margins to improve further as

sales incentives and volume

sales of houses increase. - - -

Mr Terry Roydon, chief exec-

of Galliford would have a posi-

It expects the listings to become effective and unconditional dealings to begin next

The group intends to use the money to reduce its net borrowings of SKr1.43bn, Last month it forecast a pre-tax loss of SKr140.9m for the year ending September 80, but it estimated that without the debt operating profits would have been SKr175.2m on turnover of

2.05m were placed with War-SHARES IN Arjo, the Swedish burg, Pincus Investors and 310,000 were placed with Arjo employees and Swedish retail

> with international institutions. 40 per cent in the UK, 20 per cent in the US and 40 per cent, including a large slice to Sweden, in Europe. Demand was roughly equal to allocation.
> After the offering Arjo's leading shareholder will be Warburg, Pincus with 23.8 per cent. CWB Capital Partners will hold 11.5 per cent and the management 2.3 per cent.
>
> Arjo claims to be the world

leader to hygiene and lifting systems for elderly and disabled patients, with customers in 40 countries. Half the manufacturing is in Sweden, 25 per cent in the UK and 15 per cent in the US. Arjo was the subject of a

leveraged buy-out in 1990 from

lifts Prowting to £0.5m get to upset the fragile return-ing confidence of prospective

The positive cash flow from housebuilding had enabled the group to reduce net borrowings from £20.1m to £6m at the end of August Following the purmonths of this year, without the benefit of Galliford, sales chase of Galliford net debt had risen to £30.8m, equivalent to months to the end of had risen by only 11 from 154 44 per cent of shareholders' funds of the merged busi-

Galliford purchase which will The interim dividend is being maintained at 17p from increase the number of sales outlets and enable us to take earnings of 0.3p (losses 0.3p) full advantage of our existing land holdings," Mr Roydon per share.

For the full year analysts are expecting the group to make profits of £3.5m to £4m com-He added that the group currently held 6,200 plots available pared with a previous deficit of £4.93m. The return to the black cost of just £10,700. Sales of would provide sufficient 1,000 homes a year would still earnings to cover a forecast maintained final dividend of leave the group with a six-year Mr Roydon said that after

Prowting shares, of which slowing in September, house sales had accelerated in Octothe Prowting family holds 61 per, slipped 3p to 145p yester-day. ber. He appealed to the Chan-cellor to do nothing in the Bud-

Arjo shares advance to Govett Emerging to SKr121.5 as conditional double via trading gets underway £30m issue

By Philip Coggan, Personal Finance Editor

Govett Emerging Markets, ar investment trust specialising in shares quoted on the stoci markets of developing coun tries, is planning to more 230m issue of "C" shares.

The trust was only launche in July, when the issue raised £25m. Net assets per share have risen by 23.5 per cent

Govett. A number of emerging mar kets funds have either been launched, or have expanded their capital, over the last two

The directors pointed out that the use of "C" shares is now common for investment trusts which want to expand their capital.

The "C" shares will be con-verted into ordinary shares only after the bulk of the new

WHERE TO WATCH

MONDAY

- 06:30 European Business Today†
- 07:15 European Business Today†
- 12:30 FT Reports†
- 22:30 European Business Today†

TUESDAY

- 06:30 European Business Today†
- 07:15 European Business Today†
- 07:45 FT Reports*
- 12:30 West of Moscow† Changing Fortunes... A survey of the volatile currencies of Eastern Europe.
- 13:15 FT Reports*
- 15:45 FT Reports*
- 18:45 FT Reports*
- 22:30 European Business Today†
- 23:45 FT Reports*

WEDNESDAY

- 06:30 European Business Today†
- 07:15 European Business Today†
- 12:30 FT Reports†
- 22:30 European Business Today†

THURSDAY

- 06:30 European Business Today†
- 07:45 West of Moscow*
- 07:15 European Business Today†
- 12:30 West of Moscow†
- 13:15 West of Moscow* 15:45 West of Moscow*
- 18:45 FT Reports*
- 21:30 FT Reports†

A New South Africa? We talk to Sun International founder and financier Sol Kerzner.

Also featuring:



- a survey of leading business opinion across Europe. 22:30 European Business Today†

FRIDAY

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price had been settled, not all

London, Manchester and Leeds, while ATL has a pres-ence in south London, Southampton and Dublin.

be satisfied by the issue of 9.9m new ordinary shares at 21 and of £1.1m of loan notes. The loan notes are to be allotted to Mr Dhanraj Gidwaney. the founder of ATL, as are 900,000 of the ordinary shares, which he cannot dispose of for two years. Another 987,000 of the ordinaries will go to seven of ATL's shareholders and can-

Qualifying shareholders can apply for the 8.77m placing shares in the open offer on a

Better third quarter for Holmes HOLMES PROTECTION, the way stage. a \$3m revolving loan. The facilUS security group which is Sir Ian MacGregor, chairities will be used to replace US security group which is quoted in the UK, got back on

quarter, reporting a pre-tax profit of \$239,000 (£158,000) for the nine months to end-Sep-Though well below the \$4.76m achieved in the corresponding period last year, when profits were boosted by exceptional items totalling

\$2.99m, the outcome at the period end represents an

encouraging advance on the

\$1.33,000 reported at the haif-

its recovery track in the third

man, said the company's performance in the third quarter. showed an improvement over the second quarter, and reflected the initial steps taken to reduce expenses.

Turnover for the nine months slipped from \$42.1m to \$40.4m. Earnings came out at 0.2 cents (48.5 cents). with its bankers in the form of

a \$9m five-year term loan and

existing short-term borrowings of \$6m, to finance acquisitions, while still below expectations, and provide working capital. Since the period end Holmes had reached agreement for the acquisition of two subscriber monitoring contracts and cer-

tain related assets providing some \$1.6m of annual recur-5. ring revenue. The consideration - subject to the perfor-The company has negotiated mance of the assets - is \$3.75m net of costs. This sum has been drawn from the new credit



Le Groupe Vidéotron Itée

NOTICE OF REDEMPTION To the holders of the 7%% Convertible

Debentures due March 31, 2002 NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated March 31, 1987 between Le Groupe Vidéotron Litée (hereinafter called the "Company") and General Trust of Canada, as trustee, the Company will redeem prior to maturity on December 10, 1983 (hereinafter called the "Rodemption Date") all the 7% Convertible Debentures due March 31, 2002 (hereinafter called the "Debentures") which shall be outstanding on the Redemption Date, at a redemption price equal to 104.50% of their principal amount together with accrued and unpaki interest on said principal amount to the Redemption Date, psyable on the Redemption Date in lawful money of Canada;

(a) as concerns the Fully Registered Debentures, at any branch in Canada of The Tronto-Dominion Bank;

(b) an concerns the Coupon Debentures, at the offices of Banque Paribas Luxembourg, the principal paying agent, or at the offices of the other paying agents designated in the certificates evidencing the Coupon Debentures.

paying agents designated in the certificates evidencing the Cospon Debentures.

Payment of the redemption price (\$1,069.59 per \$1,000 principal amount of Debentures including the redemption premium of \$45.00 and the interest of \$14.59 will be made to holders upon presentation and surresder, at the branches or offices hereinbelove mentioned, of the Debentures together with, in the case of Coupon Debentures, all interest coupons, appertaining thereto bearing Number F-14 to F-30. Holders may also present such securities, together with a copy of this Notice, to the bank or financial institution with whom they normally desi and who, in turn, will obtain payment, as concerns the Fully Registered Debentures, from The Toronto-Dominion Bank or, as concerns the Coupon Debentures, from Ranque Parthes Laxembourg. Pursuant to the provisions of the Trust Deed referred to above, the Debentures may be converted into Subordinate Voting Shares of the share capital of the Compony at any time prior to the close of business on the day prior to the Redemption Date, being December 9, 1983, at a conversion price of \$22.00 per Subordinate Voting Shares (we each \$1,000 principal amount of Debentures).

Debentures).

AND NOTICE IS HEREBY GIVEN that interest shall cease to accroe upon the Debentures so estiled for refemption from and after the Redemption Date, and coupons for interest to accrue after the Redemption Date upon the said

Montreal, November 9, 1983. GENERAL TRUST OF CANADA on behalf of Le Groupe Vidéotron Liée

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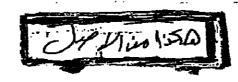
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Alusaf forges ahead Call for tighter health checks on cattle with giant smelter

By Kenneth Gooding, Mining Correspondent

ALUSAF is rushing to bring the biggest aluminium smelter in the western world into production ahead of schedule. even though the South African group is forecasting market conditions will remain severely depressed until 1997 or 1998. Mr Fred Roux, chairman

said in London yesterday that the feasibility study on the 466,000-tonnes-a-year smelter had assumed that supply and demand in the world aluminium market would return to balance in 1995-96, at which time London Metal Exchange prices would return to \$1,650 a tonne (in 1993 prices).

"We still believe those prices are attainable but the recovery may have been deferred for two years," he added. Nevertheless, Alusaf hopes

to start up the smelter, now called Hillside, five months ahead of schedule in June 1995 and hit full-capacity working 12 months after that. The group would save R2m (\$137.000) a day on interest payments during the construction phase, Mr Roux pointed out. He also revealed that Alusaf

Oil falls

to \$15.60

OIL PRICES continued to

weaken yesterday, putting more pressure on the Organisa-

tion of Petroleum Exporting

Countries to take action at its

meeting in Vienna on Novem-

ber 23 to cut its production

ceiling of 24.52 million barrels

The price of Brent Blend for

December fell by more than 25

cents in late London trading

yesterday to \$15.60 a barrel.

Analysts expect prices to

remain in the \$16-\$17 range as

long as the current market per-

ception persists that crude oil

An estimated surplus in

worldwide oil inventories of

30m-40m barrels is sufficient

to allow traders and refiners

to Mr Mehdi Varzi, research

director at Kleinwort Benson

He suggested that an Opec

cut of 500,000 barrels a day

made on a pro-rata basis by all

12 members would be needed

to "shake the psychology of the

supplies are plentiful.

Securities in London.

further

By Robert Corzine

(\$153m) on the original R6.4bn (\$1.4bn) cost. Equipment suppliers were quoting prices 20 to 30 per cent below those they supplied 18 months ago for the feasibility study. At that time three new aluminium smelters. all using the same technology supplied by Pechiney of France, were being constructed.

Today only Alusaf is building a new plant and virtually every other project in the world has been either cancelled or shelved. Mr Roux said he suspected many suppliers were quoting below cost. "It is a question of

survival for many of them." He said savings would be used to cut the debt being raised for the smelter and consequently lower its production costs so that it would break even at prices below \$800 a tonne. At \$1,050 a tonne the smelter would generate sur-

Last night aluminium for delivery in three months closed on the LME at \$1,062 and analysts suggested that most smelters were not even covering their cash production

by Gencor and 34 per cent by the Industrial Development Corporation of South Africa. South African financial institutions own the rest. The company will be floated on the Johannesburg stock exchange when aluminium market conditions improve

Mr Roux said Alusaf had signed a 10-year supply contract for alumina, the essential raw material for aluminium smelting with Billiton, part of the Royal Dutch/Shell group, and a 15-year contract with Alcoa of Australia (owned by Western Mining of Australia and Alcoa of the US).

In return the two organisa tions would take about half the new smelter's aluminium output. Alusaf had also signed a five-year contract, starting in 1994, with Alussuise to supply alumina to the existing 170,000tonnes-a-year smelter at Richards Bay. This would replace complex arrangements made when trade with South Africa was subject to sanctions. Mr Roux said Alusaf was also negotiating a managem contract with Pechiney to replace the simple technology

EC stands firm on cow hormone ban

By Alison Maitland

THE European Commission said yesterday that approval for the milk-boosting dairy hormone bovine somatotrophin (BST) in the US would not affect its plans to extend its ban on the drug.

The Food and Drug Administration in Washington last week approved the BST drug, Sometribove, manufactured by Monsanto, which will be marketed under the name Posilac. Monsanto has spent \$500m developing the drug, which increases milk output by 6-20 per cent by supplementing the cow's natural BST hormone.

A spokesman for the Comission said there was "no reason to change" its plans to extend a four-year ban on BST for a further seven

The Commission proposed the extension in the summer on socio-economic and environmental grounds, saying that use of BST would concentrate milk production on larger farms, driving smaller producers out of business. It would encourage the sort

of overproduction that the

Common Agricultural Policy reforms were designed to cut, increasing slaughterings of dairy cows. Commission survevs had shown it would also encounter resistance from con-

The spokesman said the ban was unlikely to lead to the sort of trade war with the US that was triggered by the EC ban on hormones in heef production since "we don't import dairy products from there" The entry of BST on to the US market is expected to cost the US government \$15m in payments to buy up excess supplies of milk from dairy

The FDA said milk from treated cows had been found to have the same nutritional value and composition as milk from untreated cows. "The public can be confident that milk and meat from BSTtreated cows is safe to consume," said FDA commissioner David Kessler.

The agency said Monsanto had agreed to monitor BST residues and carry out tests on milk produced in 21 leading dairy states for the next two

ANIMAL health experts and farmers' leaders in Britain are calling for more stringent European Community controls and greater vigilance by importers after the first outbreaks of the cattle diseases brucellosis and warble fly for three years.
Brucellosis, which causes

cows to abort and can lead to severe fever in humans through direct contact or unpasteurised milk, has broken out on three separate farms in Anglesey, north Wales, and Cheshire, north-west England. Animals showing antibodies to the disease - known as reac-

tors - have been found on two other farms in Cheshire. Ministry of Agriculture vets

are checking to see whether the disease, which has been absent from Britain since 1990, was brought into the country by imported French or Dutch cattle or has been lying dorment in domestic herds. The warble fly outbreaks, which have reached 107, have been traced to imported

French cattle that carried cer-

tificates of health.

The fly burrows under the skin along the spine, causing discomfort and death if untreated and affecting the quality of the hide. The infestations can be treated with chemicals, unlike brucellosis, where infected cattle have to be

Warble fly is not a notifiable disease in the EC, so the Ministry of Agriculture has put the onus on UK farmers to treat newly imported animals

Some farmers are blaming the diseases on the advent of the single market, which ended border checks on live animals on January 1. Quarantine restrictions against foot-and-mouth disease were removed in April last year. But Mr David Naish, presi-

dent of the National Farmers Union, said yesterday that it was up to livestock importers to ensure that UK cattle were kept free of imported disease. He blamed "a small minority of irresponsible dealers". "It is imperative that all those involved in the livestock trade adhere strictly to the certification requirements covering the movement of animals from one country to another," he said.

The British Veterinary Asso-

disease, particularly brucellosis, were "very worrying".

With the advent of the internal market, the movement of animals has gone up 10 or 15-fold," said Mr Francis Anthony, senior vice-president of the association. "The more movements there are, the more risk of disease." The threat does not stem

Italy suffered an outbreak of foot-and-mouth disease earlier this year, which was brought in from eastern Europe. Mr Anthony said the European Commission had to ensure all member states used common health certification standards. Under single market

solely from within the EC.

rules, animals for export are given health certificates by officially appointed vets on the

ciation said the outhreaks of farms where they originate. Spot checks for diseases are also carried out on imported animals once they arrive at

.

• - -

their destination. "Veterinarians are not trained to the same standards throughout member states," said Mr Anthony. "We and our fellow veterinarians in member states need to be able to trust each other's certification. There's a dirty great question; mark surrounding it at the

moment. The association is advising farmers to quarantine imported animals for two weeks before introducing them into domestic herds. • The European Commission has approved the slaughter of 600,000 German pigs to combat outbreaks of classical swine fever, Reuter reports.

India's jute rules relaxed

By Kunai Bose in Calcutta

THE Indian federal government has accepted the sugges-tion of the Indian Jute Mills Association to allow free import of jute in the current season to next June.

The move is a reaction to concern about the runaway inflation in raw jute prices, which may force financially weak jute mills to close. Until now, the mills have only been allowed to import inte for use in producing

export goods. However, industry officials said the liberalisation would not give much relief to jute mills. At this stage, the Indian mills would not find it easy to import jute of required grades and quantities and were resigned to importing lowgrade fibre, including cuttings from Bangladesh where prices are higher than in India.
The jute crop has suffered a setback both in India and Ban-

Industry officials said the situation would not have been as grave if the government had freed the import of jute earlier in the season. It had not considered it necessary to do so because official crop monitoring agency forecasts had pointed to a near-normal raw jute production of 7.2m bales in July. Now, the industry thinks the

WORLD

crop will be no more than 6.5m bales, while the trade A few weeks ago, the minisestimate is even lower at 6m. Industry officials said most jute mills were finding it "extremely difficult" to buy fibre at the prevaili

No time to taste the main dish

The UK is promoting niche food but ignoring the volume market

he ballroom of the Cop-dock flotel, Ipswich, had never smelled as good. Even out in the car park wafts of the delicious aroma were inviting Once inside the sight of beautifully presented fare completed an enjoyable gastronomic experience.

Before I become a candidate for pseuds corner in a perhaps less auspicious organ I should explain that I was attending the inaugural exhibition of Tastes of Anglia - launched last year to encourage small, speciality food companies in Cambridgeshire, Essex, Norfolk and Suffolk

Membership of the initiative is about 100, and more than 30 of those were showing their wares on trade stands at the hotel with a view to attracting more buyers for their products. The range of food and drink varied from a number of different types of apple juice to Essex-reared venison and from quails eggs to chutney. In between were such delicacies as home-baked meat pies for the pub trade, cooked hams, smoked salmon and ice cream

made from real cream. It all looked - and I can vouch that most of it tasted excellent, and a fair number of East Anglian caterers turned up to search for new suppliers. The promotional organisation Food From Britain was there supporting the only sector of the UK's domestic food production now within its

ter of agriculture, Mrs Gillian Shephard, ruled that FFB should concentrate on exports. But she included speciality



By David Richardson

eligible for a small part of FFB's £7m budget. The minister of food, Mr. Nicholas Soames, also attended the exhibition to cheer the initiative along and to put his ministry's seal of approval on a very jolly occasion.

responsibilities and they are

FFB hopes to have another half-dozen such regional groups running soon and some are well advanced. They have developed from county associations, which failed to gather momentum, mainly, according to FFB, because they "lacked critical mass". In other words they could not attract sufficlent members to stage a show like that at Ipswich. Moreover, only one-third of the members of Tastes of Angila exhibited at the event. The rest, presumably, were too small to fill and staff a small booth.

ing the entermise of those who organise and show at such events with faint praise. I do not want to do that for I wish them well and applaud their energy and their products. I also believe it is entirely appropriate that government money should continue to be spent on aiding individual small produc-

Now I am in danger of damn-

But the fact is that in national terms the producers at the Ipswich show represented a tiny niche in the food market. And if all the produc-tion of similar regional groups were added together the volume of food would still be insignificant when compared with national consumption.

Niches can, of course, grow as Michael Marks' penny store in Leeds and the small butcher's shop of the original Mr Sainsbury prove. But in the meantime, most of the attention of the media and more seriously the government seems to be dominated by niches, and volume sales seem to be neglected.

Giant retailers, of course, promote their own brands very efficiently. But as competition for customers intensifies, with the launch in the UK of discount and warehouse clubs, it is inevitable that all such compames will seek to squeeze the prices they pay their suppliers in order to preserve profits. Once that possibility is exhausted they may well seek further advantage by buying more from marketing organis tions abroad. Surplus producers in Europe would grab the opportunity for a higger slice of the lucrative UK food market with both hands. In the meanwhile, however,

the UK's food trade gap - the gap in value between the food we import and the food we export - has risen to £6bn a year, and food is now the trade sector with the biggest deficit. By far the majority of these imports, the volume of which is still rising, come from other northern European countries. In other words, the goods could

If the government is serious about containing and then reversing this trend and improving the balance of payments at the same time (as the prime minister and agriculture ministers have been claiming for at least two years) it is vital that it acts urgently.

The recently announced 26.4m of group marketing aid over three years to help more small businesses like those at Ipswich is welcome, of course, the task. The food industries of France and Germany have £50m-£60m a year each to promote their produce. No wond the UK is being left behind. What is needed is a new

co-ordinating body to replace and develop the curtailed activities of Food From Britain on the domestic front and to address volume markets. Its remit should include initiating national food quality assurance schemes, promoting the superiority and safety of homebased production, and persuading retailers and consumers that British food is best value. It would be unrealistic to expect the government to pay for all that, but most of the cost could be funded by statutory levies from the farming and food industries. As Mr Nicholas Soames said

at Ipswich the other day, food and farming together employ some 14 per cent of the British population and between them produce 10 per cent of the gross domestic product. The UK cannot afford risk the security of such a large and important sector of the economy. Nor can it afford a food trade gap that could rise to £10bn by the end of the decade if noth-

MARKET REPORT

GOLD'S price was "fixed" in London at a three-month high of \$377.90 a troy ounce in the morning. But it eased back to close 50 cents down at \$376.25. The failure to build on Friday's gains prompted light liquidation of long positions built up during the recent rally, dealers said. The shake-out had been expected, given the lack of follow-through buying in the morning, but the move had not dented the market's generally bullish outlook. Support for the metal was expected to hold at \$375. A report that Russian ALUMINIUM exports would be between 1.8m and 2m tonnes this

London Markets

SPOT MARKETS		
Crude off (per hame) FOB(De	다	· or -
Duba	\$14.00-4.14u	-0.225
Brent Blend (dated)	\$15.34-5.37	-0.295
Brent Blend (Dec)	\$15.69-5.72	-0.275
W.TJ (1 pm est)	\$16.80-5 92u	-0.395
On products (NWE prompt delivery per to	nne CIF	
Promium Gasalina	\$174-177	-2.5
Gas Ol	\$166-169	-1
Heavy Fuel Cá	\$85-57	
Naprina	\$148-151	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per tray out?	\$376.25	-0.50
Sever (per troy ozi-	448.5ᢏ	-1,0
Platinum (per troy o.c.)	\$377.25	-3.00
Palladium (por troy oc)	\$128.75	-1.75
Copper (US Producer)	80.0c	+0.5
Lead (US Producer)	33.88c	+0.33
Tin (Kuala Lumpur markel)	12.00r	+0.12
Tin (New York)	221.50c	
Zinc (US Frime Western)	Unq	
Cattle (Two worght)	119.99	-2.91*
Sheep live weightij 🏟	80.47p	+0.80°
Pigs (live weight);	72.04p	+2.04"
London dally sugar (raw)	\$270.9	-4.4
London daily gugar (white)	\$298.5	-1.5
Tato and Lyle export price	\$294.5	-3.0
Barley (English feed)	C108.5t	
Maze (US No. 3 yellow)	£120.5	
Wheat (US Dark Northern)	2175.0	
Rubber (Dec)	61 00p	-0.25
Fruitition (Jam)	61.250	-0.25
Rubber (KL RSS No 1 Jul)	207.0m	+1.0
Coconut of (Philippenes)§	\$437.54	
Palm Of (Malaysian)\$	\$347.5u	
Copra (Philippines)§	\$295.0	
Soyabeans (US)	£189.5w	+1.5
Cotton "A" index	54.15c	
Yiooltops (64s Super)	363p	+2

year, up from 1.5m tonnes in 1992. caused little surprise in the market, which is close to eight-year lows. Yesterday the three-month LME price drifted down another \$5.25 a tonne to close at \$1,062. COFFEE prices in London ended slightly lower after disappointment in New York over the relatively small purchase of 10,000 bags in Friday's second Brazilian auction in the retention scheme. The January futures contract closed \$2 lower at \$1,228. It had earlier reached \$1,250.

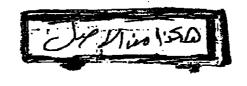
Compiled from Reuters

CRUDE	OL - PE	·	\$A
	Lates	Previous	s High/Low
Dec	15.69	15.81	15,92 15.59
Jan	15.95	16.10	16.14 15.88
Feb	16.12		18.30 18.04
Mar	18.20		16.39 16.20
Apr	16.40		16.53 18.34
Jun	18.58		16.60 18.58
Aug	16.82		16.82
PE Inda			
Turnover	34213 (41	1233)	
CAE ON			\$A
	Close	Previous	High/Low
Nov	163.00	164.50	163.50 161.75
Dec	181.75	164.00	163.00 160.50
Jan	160.75	163.75	162.25 180.00
Feb	160.25	163.00	161.00 159.50
Mar	159.50	162.25	160.25 158.75
Apr	158.50	161.00	159.50 158.25
May Jun	158.00	160.25	158.00
Jun Jui	157.50 169.75	160.00	158.00 157.50 159.75
		7000 les4	
LICHOVOR	20083 (10	7/60) 108 OL	100 tonnes
SUÇAR -	- LCE		(S per to
White	Close	Provious	High/Low
Dec	286.60	288.00	289.80 287.00
Mar	283,20	284.80	285.00 283.00
May	284.80	286.50	285.00 284.80
Aug	289.10	289.60	269.50 288.10
Det	278.10	278.30	278.10 278.00
Tunover	3257 (991) Paris- Whi	its (FFr per tons
Dea 158	9.65 Ver 1	1678.75	
TEA			

No.7 R	AW SUGA		(cents/lbs)	LONE
	Close	Previous	HgtvLaw	Alumi
Jul	11.32	11.41	11.40	Cash
Turnova	r 5 (142) k	ols of 50 to	Mies.	3 mor
				Cash
				3 mor
COCO	- rest		£/tonne	Cash
	Close	Previous	High/Low	3 mor
Dec	896	906	902 894	Cash
Mar Mav	938 945	937 944	940 929 948 937	3 mor
Juli Juli	945	945	944 940	Cash
Sep	947	948	947 940	3 mar Zino,
Dec Mor	938 940	936 934	937 925 939 932	Cash
May	940	938	941 935	3 mor
Типоче	r. 2396 (74	35liots of	IO tonnes	SPOT
ICCO in	dicator pri	089 (SDFb)	per tonne). Daily price day average for Nov 8	
915.29		000711 10	nay average for mov s	LONG
		_		Price
COFFE	E - LOE		S/konne	Gold (
	Close	Previous	High/Low	Close Openi
May	1211	1217	1231 1208	Marmi Attern
Jan	1228	1230	1250 1223	Day's Day's
May .	1208	1513	1233 1206	Loco
May Jui	1202 1196	1207 1205	1221 1200 1220	1 mor
Sep	1196		1214	2 mor 3 mor
Turnove	r. 3122 (20	16) lots of	5 tornes	Silver
ICO indi Conto.	cator price dativ 89.9	19 (US cents 8 (69.01) 1	perpowed for Nov 5 5 day average 69.18	Spot 3 mor
169.04 0		,	, .	6 mon
POTAT	OES - LC	4	£/tonne	12 mc
	Close	Previous	High/Low	00LE
		825		
Ap r May	84.5 99.2	929	85.0 84.0 99,6 99.0	Kruge Maple
Turnows	- 90 MM le	ots of 30 to		New 8
				TRAD
FREIGH	IT ~ LCE	•	\$10/Index point	Alumi
	Close	Previous	High/Low	Strice
				1025
Aper BPI	1347 1318	1345 1911	1347 .	1050 1075
				Сорре
PURIDAR	r 2 (121)			1825 1650
				1675
~			E/tonne	
Wheat	Close	Previous	High/Law	Gatte
Jan	98.95	99.10	99.25 96.85	1150 1200
Mar	101.00 102.95	101.10	101.25 100.90	1250
May		103.10	103.25 102.85	Cocos
Sariey	Close	Previous	High/Low	875 900
Jan	103.15	103.25	103.15	825
Mar	105.15	105.40	105.33	

Turnover, Wheat 131 (\$65) Barley 11 (46)

ling rate.	foods	n the U	X wi	thin it	is ers	to im	prove their	market	ing.	easily be	produc	ed at hon	ie.	ing is	done to	stop it.	1 1011
COMM	IODITII	ES PR	ici	ES									:				
ON MRTAL EX		·					id Matel Trading	HEAT	TSNG OIL 4	12,000 US g	sile, cente/U	IS gaile	Ch	icag	0		ૄ
rham, 99,7% puri	Previous By /S our troops	High/Low	^	M Official	Kerb o		Open Interest lover 30,232 lot	:	Latest	Previous	High/Lov	, . .	SOYA	REAMS 5.0	Of by mire o	ents/80to bu	
1040-1	1048-6.5	 -		041-2	100	OSTY INT	IONOT SULLES FOR	Dec	50.80	51.28	51.55	50,40		Close	Previous	High/Low	
tha 1081.5-2.0	1087-7.5	1085/1058		082.5-3.0	1056.5	-7.0	250,437 lots	Jen	51,66	82.00	52.35	51.30	Nov	631/2	641/6	636/0	630/0
er, Grade A (\$ pe					Total	daily tun	over \$8,233 lot	Feb Mer	52.15 51.80	52.49 52.14	52.35 52.05	51.80 61.50	Jan	639/4	650/6	647/0	636/6
1842.5-3.5 the 1688-6.6	1863-4 1875-8	1889/1866 - 1872/1865		641-1.5 684.6-5.0	1686-7	,	192,492 lots	Apr	51.26	51,54	51.35	\$1.05	Mar May	646/0 649/9	(67/2	653/0	645/4
S per tonne)	15.00						mover 3,547 lob	May	50.70	.50.89	50.70	50.45	Jul .	652/6	661/2 664/2	657/0 660/4	649/0 652/2
393-4	399-400		3	96-5.5		•		ut. : UL	50.80 50.70	.50.54 50.74	50.50 51.00	. 50.25 50.40	Aug	652/0 638/4	662/6	858/0	652/0
the 407.5-8.0	412-3	410/407	4	09.5-10.0	406-8	<u> </u>	.24,788 John	- Aug	51,00	51.29	51.40	51.30	Sep. Nov	627/2	645/0 632/2	643/4 630/0	638/0 826/4
4700-10	4720-5		: _	710-20	100	CENTY III	mover 7,781 lob	Sep.	52.30	82.24	62.55	52.30	SOYA	ESEAN OIL	60,000 fbs; c	ents/lb	
ths 4755-80	4775-80_	4795/4710		770-5	4730-8	<u>.</u>	44,791 lots	000	OA 10 torr	106;\$/torings	-			Close	Previous	High/Low	
per tonne)					Total	dely tu	mover 3,275 lot	_	Close	. Previous	High/Low		Dec	23,42	23.94	23.87	21.38
4760-76 2015-20 4815	4755-65 4805-10	4830/4825 4840/4805		762-6 · 801-5	4805-7	, `	13,323 jobs	Dec	1090	1093	1098	1083	Jen	23.52	23.95	23.85	23.47
Special High Gra							rover \$1,612 lob	Mer	1139	1141	1145	1138	Mer May	23.70 23.78	24.11 24.19	23.98 24.05	23.84 23.75
928-0	937-6			27.5-8.0				- May Jul	1155 1167	1157 1172	1162 1170	1161 1166	Jul	23.62	24.20	24.10	23.82
ths 946-7	<u>954-5</u>	955/944		48-5.5	945-6		82,864 lots	- Sep	1177	1184	1185 .	1177	Aug Sep	23.70 23.58	24.00 23.93	24.00 23.85	23.70 23.58
Closing E/S rate: 1.4815	3 months: 1.4	4736 _ ·	6 1	months: 1.	4886 · .	<u>.</u> . 1	9 months: 1.463	Dec	1190	1197	1199	1195	Oct	23.23	23.65	ō	C
VM Official E/S ay	pot rate 1,4815					•		- Mar May	1204 1225 .	1211 . 1222 .	0	0	SOYA	BEAN ME	VL 100 tons ;	\$/ton	
ON FULLION N	<u> </u>							ألنان	1231	1234	ō	ō		Close	Previous	High/Low	
Supplied by N I			Ne	Y W	ork			5 6 p	. 1250	1253	0		Dec	202,1	204.0	203.0	200.6
troy cz) \$ price	£ equit	valent		100			 	COFF	在でダ	,5000bs; cer			Jen Mar	199.4 198.1	202.1 201.6	201.0 200.5	198.6 197.6
378,00-6	378.50		GUL		oz.; \$/troy				Close	Previous	High/Low		May	198.4	201.8	200.8	197.6
ng 377.60-4			Nov	374.8	Previous	. High/	0	- Dec	75.45	77.05	78.00	74.90	Juli Aug	199.0 198.0	202.8 202.1	201.5 200.0	198.5
ng fix 377,90 com fix 375,65	254.82 263.39		Dec	375.5	377.1 377.8	\$79.0		Mar	7E.30	79.65	79.75	77.65	Sep	197.5	201.5	200.0	197.5 197.0
high 378.00-:			Jan Feb	37 6. 5 377.5	378.8 379.8	0 381.5	0 3764	May Jul	79.70 81.35	81.25 82.60	81,85 82,75	79.50 60.80	Oct	198.3	197.2	197.0	195.5
	Landing Rates (his I reen	Apx	378.3	3.FBC	353.0	\$76.6	Sep	82.80	84.80	0	0	MAD		rokr, cents/50	Mb bushet	
th 2.70		2.72	Jun Aug Oct	381.1 382.9	383.4 385.2	366.0 0	380.8 0	Dec	85.00	86.30	85.00	84.75		Close	Previous	High/Low	
dhe 2.71	12 months	2.74	Oct	\$84.8 386.8	\$97,1 388.1	0 390.5	0 386.5	Mar-	87.50	88.50	0 .		Dec Mer	260/6 268/4	203/6 271/4	263/0	260/4
ths 2.70					toy oc \$4		·	- ang/	UR WORLD	1120	00 lbs; cent	\$/ID8	May	272/4	275/4	270/8 274/4	268/2 272/2
fix piroy o			-	Close	Previous		Low	•	Close	Previous	High/Love		Jur Sep	273/6 263/6	276/4 265/2	275/6	273/2
305.05 The 309.95	451,75 455,15		Nov	863.0	363.0	0	0	Mer	10.63	10.74	10.76	10.62	Dec	255/6	256/9	265/0 256/2	263/2 255/0
ths 312.95	469.00		Jan Apr	378.1 379.8	380.0 381.5	382.0 382.5		May Jul	10.78 10.82	10.86 . 10.91	10.88 10.91	10.77 10.82	Mar	262/2	263/2	262/4	261/4
mins 320.68	467,30		.04	380.6	382.5 384.0	381,0	381.0	Oct	10.81	10.91	10.89	10.81	WIE.		Triin; centa/	Opp-(stratus)	
COMES			Oct	382.1	304.U 10y 02, CMI	383.5		- com	ON SOLDO	Dec center	<u> </u>			Latest	Previous	High/Low	
\$ pric	a 5 add	Valent		Close	. Previous			-	Close	Previous	High/Low		Dec Mar	333/0 332/6	336/6 336/6	337/2 336/2	331/6
		0-259.00	Nov	445.9	449.8	0	0				<u> </u>		May	\$23/2	326/4	326/2	332/0 ³⁻¹ 322/4
leat 385.70	D-388.15 -		Dec	448.5	450.5	453.0	447.5	Dec	56.18 58.47	58.47 · 58.68	58.77 58.90	56.06 58,45	Jul Sep	\$16/6 320/5	318/2 323/0	317/B	315/8
:00.85 пр іста чо	-91.00 SE_00-	-62.00	Jen Mar	450.9 454.1	461,8 4 55 ,1	0 458.0	· 0 452.0	May	59.70	39.9 5	60.00	59,70	Dec	329/0	331/0	330/4	328/4
ED OFFICES			May Jut	467.2 460.3	459.2	480.0 485.0		Jul . Con	60.85 61.57	60.90 51.80	61.00 81.80	60.70	<u>Ju</u>	315/0	316/0	0	0
mium (99.7%)	Cells	Puls	Sep Dec	468,4	461.5 464.4	. 0	- O ·	. Dec	61,75	61.96	62_10	81.75 81.75	TAE		,000 the; can	ta/fbs	
			Dec Jan	468.3 469.4	469.3 470.4	470.0	467.0	Mer	. 62.55	62.75	0	0		Close	Previous	High/Low	
	Dec Mar Dec	16	Mar	473.5	474.5	476.0		ORAN	IGE JUICE	15,000 lbs	Cents/fibs	<u> </u>	Dec Feb	73,125 74,375	73.125	73.400	72,000
	7 51 24	27	HIGH	GRADE C	COPPER 25	.000 TDS;	centa/lbs		Latest	Previous	Hgt/Low	· ·	Apr	75.950	74,500 78.125	74,700 76,225	74,190 75,900
1	6 38 38	36		Close	Previous	High	OW	Nov	101.00	104.25	104.40		Jun Aug	72.700 71.325	72.800	72.975	72,850
r (Grade A)	Catts	Puls	Nev Dec	74.90 75.10	75.00 74.80	75.10 78.40		Jan	104.55	108.80	107.45	101.00 104.80	Oct	71.825	71,425 71,9 5 0	71,550 71,850	71, 300 71,775
	7 92 22	34	jen	76.25	75.00	76.40 75.50	75.25	Hip	107.65	109,60	110.10	107.50	Dec	72.725	72,900	72.650	72,675
	13 77 33 11 64 46	43 55	Feb Mar	76.45 73.65	75.20 75.40	75,65 76,00	76.80	May Jul	109.50 111.50	111.60 1 13.60	11 <u>2.10</u> 114.90	110,00 114,90	TINE	HOGS 40,0	00 lb; cents/f	DS .	
_			Арг	76.90	75.80	78,05	76.70	Sep	112.56	114.50	114.60	114.60		Close	Provious	High/Low	
LCE J	tan Mar Jon	Mar	May Jun	76.15 76.40	75.85 76.05	76.45 76.55	76.05	Nov	118.49	119.10	Q	0	Dec	47.200	47.200	47,725	47.100
	01 118 23	60	Jul	76.65	76.25	78,95	76.60	Jeri Mar	110.48 110.40	173.10 113.10	0	0	Feb Apr	48.550 47.075	48.425	48.82S	48.300
9	ip 52 41	84	Aug	76.90	76.50	0	0	. —		13410	0	0	Jun	61.325	46,750 51,250	47,275 51,560	46,800
	5 71 67	113	CRUE		HQ 42,000				NCES .			· -	dd Aug	60.E25	50,400	50.700	51.300 50.350
	Dec War Dec			Laborat	Previous					ene:Septemb	W 18 1991	a 100	Aug Oot	48-250 45-250	49,150 45,260	49,375 45,350	49,250
	99 PQ 19 15 75 38	27 37	Dec Jen	16.75 17,02	17,09 17,28	17,09 17,33		-	Nov 8			ут адо	Dec	45.800	45,500	45,600	45,250 0 Å
7		49	Feb	17.28	17,48	17.52	17.22	-	1617.5		1577.8	1648.4	PORK		40,000 lbs; c	enter/fb	
			Mar Apr	17.45 17.50	17,60 17,72	17.60 17.72		100	M TOKES	(Base: Dec.				Close	Previous	High/Low	 -
Crude [Dec Jan Dec	Jan .	May	17.73	17.84	17,77	17.80	1=	Nov 5			ут веро	Feb	55.450	66.100	56,950	55,100
5		40	Jun Jul	17.82 17.98	17,95 18,05	17.67 18.60		B pol			117.10	115.02	Mar May	55.300 65.800	54,775	55.700	53.100 54,960
2	25 30 13 137		Aug	17,98	18,16	18,05	18.00	[Futu	res 133.65	132.77	125,31	116.59	Jul	57.000	54.750 58.250	66.100 57,050	55.500
			Зер	18.17	18.27	18.18	18.12						Aug	56.100	56,800	56,000	56.000 64.806
			-						•								
											•			•			



THE UK SERIES

FT-A ALL-SHARE

1522.14 -5.06

21.11

21.60 35.85

33.40 22.36

34.16 19.64

17.87

15.42

19.59

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424 555

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3.64 2.76 3.10

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3.46 2.26 4.90 4.78

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40.87 972.56

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43.34 1173.96

33 65 1397.83

45.27 1422.31

73 50 1222.93 26 54 1168-48

23.67 1717.37

30.05 1305.13

111

Early falls reduced in nervous trade

By Terry Byland, UK Stock Market Editor

Your service of

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FAVOURABLE UK economic statistics, a steadier lead from Wall Street and firmness in domestic bonds all helped to check the setback on the London stock market yesterday. Although traders remained apprehensive ahead of impor-tant US data due today and tomorrow, early losses in share prices were more than halved

by the close of business. The final reading showed the FT-SE 100 Index down by 8 points at 3,077.6, and some market strategists continued to warn that the index could be vulnerable down to the 2,850 area if selling resumed.
The stock market opened

higher, heartened by the 18point recovery in the Dow Average on Friday, which drove some of London's more speculative sellers to hasten to buy stock to meet selling commitments entered into on Friday morning.

However, the Footsie topped out at 3,096.5 early in the session, indicating that it was not confident enough to test 3.100 again at present. The loss of impetus soon turned into a downturn as weakness in the futures market drove the December contract on the Footsie to a discount.

Stop-loss selling of the futures contract proved to be a negative influence throughout

Heavy

trading

in Fisons

DRUGS group Fisons was the most heavily traded stock in the London market yesterday after investors considered the

impact of an alleged malprac-

tice scandal. The shares fell 6

to 147p on turnover of more

a Sunday newspaper story

claiming doctors had been paid

for prescribing Tilade, Fisons

Fisons issued a statement

yesterday saying it believed

anti-asthma treatment.

The selling was a reaction to

than 17m shares.

the day. Before noon, the mar-ket was down by 20.5 on the lying at the close. FT-SE scale and then remained nervy as it awaited the opening of the new session on Wall

In the event, Wall Street made a good start, and was only a shade easier when London went home for the day. The Footsie, having traded a somewhat erratic pattern, largely under the influence of lying at the close.
The London market was

fuelled at first by the announcement of a sharp jump in UK consumer credit in September, indicating reviving economic activity, and then by the non-inflationary implications of a modest increase in factory gate prices in October. "The economic data was excellent for the stock mar-

TRADING VOLUME IN MAJOR STOCKS

tics implied that, whatever the worries regarding the outlook in the US, the UK economy is expanding while inflation remains under control.

But traders agreed that. since the shakeout in global markets had clearly been prompted from the US bond sector, the near term outlook will depend heavily on how

ket," commented one leading federal bonds react to the US trader, noting that the statisproducer price index, to be announced today, and to the US consumer price index expected tomorrow; overhanging both is the outcome of this week's US bond auctions.

London's rally from the day's lows reflected some good quality buying from investors taking the view that the market had been oversold. At Strauss Turnbull, Mr lan Harnett pointed to market support from real dividend yields, prospective dividend and earnings growth, a good equity bond ratio, and expectations of further falls in base rates.

Underlying nervousness took its toll of the second line issues, where share prices were more readily marked down. The FT-SE Mid 250 Index was driven down by 19.4 to 3,440.7. Non-Footsie business made up around 56 per cent of the Seaq total of 557.6m shares. On Friday. Seao reported that 753.3m. shares changed hands for a retail worth of \$1.74bn, one of the highest daily figures this

Accom	nt Dealing	Dates
Pirst Dealings: No. 1	New 15	No. 25
Nov 17	ione: Nov 15	Dec 9
est Dealings: Nov 12	Nc - 16	Dec :0
count Day: Nov 22	Dec á	Dec 20

Accour	nt Dealing	Dates
"First Dealings: No. 1	New 15	740v 25
Nov 17	one: Nov 15	Sec 5
Lest Dealings: Nov 12	Nc - 26	Dec :0
Account Day: Nov 22	Dec á	Dec 20
"New time deals two business da	ige may take ys earler.	place from

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1993 Equity Shares Traded

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Health products manufac-

that any maloractice was limited to a handful among its 100-The company, which makes ng uk sales iorce However, one analyst commented: "It is not what the sales staff were doing but what lies behind it in terms of Tilade's sales."

BAT in demand

Recent news from the US' that tobacco prices could be poised to recover ensured that BAT Industries, the tobacco to insurance conglomerate, bucked the market trend. The stock rose 17 to 478p.

BAT announced last week that a cut-throat cigarette price war in the US had depressed its third-quarter profits. The group said the move to reduce prices, started by rival Philip Morris, cost it nearly £100m in the quarter to the end of September.

AB Foods pleases

_2272

Good results from Associated British Foods sent the shares upward, although profit-taking clipped the gain before the close. Turnover, however, was a below-par 240,000, with the shares adding 4 to finish at 479p. Pre-tax profits came in at £338m, well ahead of the market range of £300m to £320m Most of the excess was down

NEW HIGHS AND **LOWS FOR 1993**

NEW HIGHES (28).
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Greenface Stott, MESC (2) Delaney. Sands

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to one offs, with operating profits only marginally in front of last year's figure. For this reason, most analysts retained their forecasts for the 1999-94 financial year, with Strauss
Turnbull staying at £310m.
Analyst Mr Carl Short said: "The shares are worth holding on to for the eventual improve-

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ment in milling and baking." However, most food specialists agreed that the short term problems in the bakery division will probably continue to overshadow the stock.

Bespak savaged

turer Bespak suffered a savage investor rerating after issuing a warning that profits would be sharply lower than in the previous period.

ioi vaive systems, di moulding and micropumps. said profits for the first half of the year would be about half the year-earlier figure and it expected full-year results to be lower than the previous period. Bespak said a fall in the business of US Surgical, its largest US customer, and uncertainty among other healthcare customers pulled down the group's results. Also, sales in dollar terms in the US fell in the first half of the year. The

shares plunged 155 to 318p. In the year to April, Bespak made £11.5m, a jump of 66 per cent from the previous year. The first investment trusts giving access to the Lloyds insurance market to be quoted on the stock exchange began trading yesterday. Hiscox Select closed at 110p, a 10p premium to the subscription price. However, the new HCG Lloyds trust ended the day only a

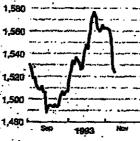
penny above its subscription price at 101p.
Several bank stocks were sold down after Hoare Govett. the securities house, reiterated its unenthusiastic view. Hoare underlined a neutral stance on National Westminster, which fell 8 to 539p, Royal Bank of Scotland, 11 easier at 349p, and Lloyds, down 71/2 at 555%p

Standard Chartered, in contrast, were firm at 1028p after news that the bank was planning a simultaneous secondary listing of its shares in Hong Kong and Singapore, possibly

within six months. Shell Transport saw its share price rise in a depressed market as investors hoped for encouraging third-quarter results on Thursday. Buyers were motivated by good figures from BP which last week announced a big rise in its own third-quarter figures. Shell improved 5 to 720p while BP recovered from profit-taking at the end of last week and closed 11/4 firmer at 352p. BP Oil, a unit of British Petroleum, said it was evaluating several options for its refinery in Marcus Hook, Pennsylvania,

including its sale. Pharmaceutical groups SmithKline Beecham and Glaxo were weaker after the former announced that it was launching a price war in the US. It said it was cutting the price of Tagamet its ulcer

FT-A All-Share Index



Stores stocks were mostly added 2 to 506p, Kingfisher a penny to 640p, Lloyds Chemist 5 to 272p, Sears 2 to 115p and Marks and Spencer 2 to 398p. banana business hit Geest, the

Leisure stocks largely underperformed against the rest of the market as last week's good run came to an abrupt halt. Only Forte found good support. the shares advancing 4 to 219p, although turnover was a weak 1.2m. Manchester United was another bright spot - advancing 19 to 567p on positive weekend press comment.

Ladbroke shed 3 to 174p as turnover hit a bumper 15m in

late trading. Granada suffered profit-taking after excitement in the broadcasting sector on Friday. The shares fell 9 to 466p. Thorn EMI slid 13 to 929p as the company attempted to defuse the controversy surrounding its Rent-A-Centre US busine After Friday's heavy fall fol-

lowing a trading statement and analysts visit, Guinness recovered, closing 4 ahead at 412p. The power generators stood out in a weak electricity utility sector as investors drew comfort from what is expected to be a bumper dividend increase when National Power reports results on Thursday. Its shares put on 6% to 411%p. PowerGen added 6 to 465p and Scottish Power 41/4 to 4011/4p. The Recs and water stocks continued

under a cloud following last

week's Ofwat report which underlined the tougher regulatory environment for the two sectors. Electronic component distributor Abacus came to the market at 140p and closed a

controls company in Germany. Engineering analysts added that the recent rights issue had been well received. Kleinwort Benson was also said to be pos itive on the stock. The shares closed 6 forward at 566p, the

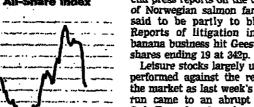
FINANCIAL TIMES EQUITY INDICES

Among food stocks, Booker

Ordinary share	2325.3	2332.0	2376.0	2383.7	2387.4	1996.4	2414.2	2124,7
Ord. disc. violat	3.90	3.97	3.69	3,87	3.87	4.58	4.52	3.82
Eagaing yat % fall	4.65	4.63	4.54	4.49	4.48	6.49	6.38	4.47
P/E ratio net	26.93	27.05	27.63	27.91	27.97	19.66	28.30	19.40
PÆ radio pli	24.97	25.09	25.82	25.67	25.92	18.17	25,14	18.14
Beld Mines	233.3	235.8	231.0	220.8	217.4	89.3	249.2	2.08
Tier 1993. Ordinary t Gold Mines Index at Besis Ordinary share	ROS COMIC	fation higi	h. 734.7 1	high 2414 5/2/83- tou	1.2 31/8/93 43.6 26/	- 10w -19. 10/?1	A 26/6/40	
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1993

treatment by offering a \$10 rebate. The price cuts could affect sales of Glaxo's anti-ul-

cer treatment. Zantac. SmithKline slipped 13% to 395%p and Glaxo was 2 lower at 653p, the latter shares held up by a positive annual meeting, Glaxo's chairman Sir Paul Girolami told shareholders that results and sales were on target so far this year.

Pharmaceutical group Wellcome fell 25 to 677p after Nomura changed its recommendation to 'sell' from 'hold'. The shares were also dragged down by general weakness in the sector.

resilient, with several moves into positive territory by the sector leaders. Hoare Govett was yesterday pointing out the recent weakness in the sector as overdone and its belief that, the Budget notwithstanding, retailers are likely to benefit from good Christmas sales. Dixons put on 3 to 280p, with one broker said to be recom-mending the stock following the recent visit to PC World in South Wales. MFI slipped a half-penny to 140%p amid presentations to clients. There was also Elsewhere, Boots

good opening session 13 higher at 153p. TT Group gained 4½ to 330%p on hopes it would benefit from any expansion by Sega in South Wales. Siebe advanced strongly as it announced acquisition of a

nil-paid gaining 8 to 84p.

Motor component group Lucas advanced a penny to 176p. Dealers said there was a growing belief that Mr George Simpson, deputy chief execu-tive of British Aerospace, would accept the post of chief executive of Lucas.

weakened 5 to 390p, with week-

•	Nov 8	Nov 5	Nov 4	Nov 3	Nov 2	Year 200	- High	1 Loa
Ordinary states	2325.3	2332.0	2376.0	2383.7	2387.4	1996.4	2414.2	2124,7
Ord. die vield	3.90	1.97	3.69	3,87	3.87	4.58	4.52	3.82
Engeling yet % 64	4.65	4.63	4.54	4.49	4.48	6.49	6.38	4.47
P/E ratio net	26.93	27.05	27.63	27.91	27.97	19.66	28.30	19.40
PÆ radio pil	24.97	25.09	25.82	25.87	25.92	18.17	25.14	18.14
Beld Mines	233.3	235.8	231.0	220.8	217.4	89.3	249.2	2.08

EQUITY FUTURES AND OPTIONS TRADING

STOP-LOSS selling in the stock index futures sector helped to restrain the equity market yesterday, writes Terry

Hambro Ins., PACKTA, PAPEK & PTSKICK Boueter, Do. PL. St. Nest. TEXTS (1) Hore Small Accessed, TRANSPORT (1) Tiphook.

Byland. The December FT-SE 100 contract fell to a discount both against the cash market and the index's estimated fair value premium as traders sold out futures positions built up at the market's peak.

Such positions are traditionally subject to "stop-loss" market levels at which the trader can sell out his client's position, and it was these safeguards which sprang into

action yesterday. December was at a discount for most of the session and at its low point stood at a 7-point discount to cash and around 18 discount to fair value, now

estimated by some houses in from 64,958 and the FT-SE the 81/2 to 10-point area. The contract steadied to close at a discount of around one point to the cash market, or 11 to fair value, after heavy turnover of 13,707 lots. Most business came from indepen-

dent traders. Traded options were less active than on Friday, with contracts dipping to 43,626 reports on marketing tactics.

option down from 37,017 to 23,750. The Euro FT-SE option saw 6,633 contracts trans-acted. Individual stock options were headed by J. Sainsbury as investors continued to reshape portfolios in the light of increased price competition in the sector. Fisons (1,102 lots) reflected adverse press

Shares in Wardle Storeys, the plastics and safety equipment manufacturer, fell 17 to 431p after the company announced that profits from its cash pile had been eaten into by the steady reduction in UK base rates over the past year. Wardle was also unenthusiastic about future prospects. It said it was difficult to see how there could be any improvement in economic conditions in the UK when the company's main overseas market, continental Europe, was in such disarray and any improvements in results would be in spite of market conditions rather than because of them.

MARKET REPORTERS: Christopher Price. Peter John.

■ Other statistics, Page 24

SS FT-A ALL-SHAPE(817) 1522,14 -0.3 1527.20 1564.54 1581.19 1276.44 5.55 40.50 1156 60 Hourly movements 11.00 12.00 16,10 LOW/Gay 3090.6 3459.6 1542.9 3090.6 3454.0 1542.3 3066.0 3437.2 1531.1 3071.4 3437.6 1533.2 3076.3 3437.8 1535.2 3072.3 3446.1 1533.9 3076.0 3438.8 1535.3 3079.3 3096.5 3459.6 1545.1 3065.1 3436.8 FT-SE-MI4 250 FT-SE-A 350 Time of FT-SE 100 biots 8.55am love: 11.31acs FT-SE Actuaries 350 Industry Baskets 980 Open 11,00 12.09 2000 13.00 18.10 1945.8 1091.3 1928.6 1084.7 1487.0 Constron Health & K 1949.6 1890.1 1921.4 1080.5 1920.9 1073.9 1920.4 1072.5 1930,8 -16.2 -26.3 -13.8 1081.7 1084.8 1072.4 1474.4

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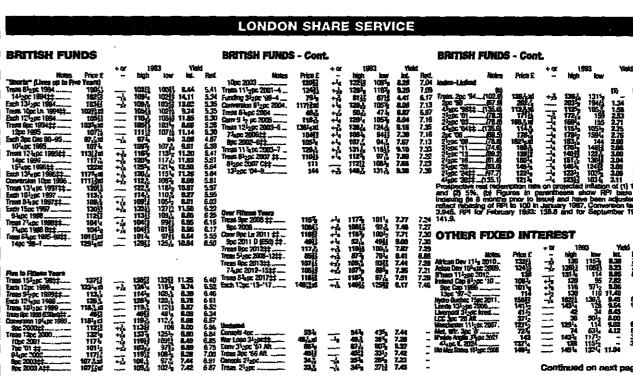
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LONDON SHARE SERVICE



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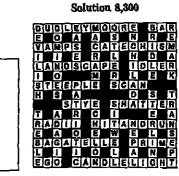
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hgh -35 4785; -4 586 -1 5245; -3 585 -1 1126 -- 885 -- 746 | Internation | 514sd 612¹g 350 762 950 84 58²g £10²g 1,400 44 4,705 3.9 280 11.1 481.9 3.6 160.5 2.1 48.4 -21.8 -1,300 2.1 10 71 18 56 7.85 1.7 3.57 2.6 3.98 ‡ 78.7 – 1983 to California (California -16 E23 -17 1004 -17 1005 -17 390.5 5,021 1,22.1 628.7 22.1 628.7 24.0 24.0 390.5 1,262 1, Govett| Miscell Laneous | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 198 Emergingi double in 11246 | 14 124 142 142 1244444 | 145 144 144 1444444 144 1 £30m isa TETRAL TOTAL OTHER FINANCIAL INVESTMENT COMPANIES 1525 5.38 1.35 2.30 15.4 15.4 160.2 517.6 61.0 453.5 110.2 577.0 10.1 57.9 5.4 1.50 80.6 4.37 4.10 2.42 2.32 100 4817 522 539 679 1000 1125 54574 527 537 122 54574 537 122 54574 545 1 1 July 10 1 1 2% Yd 6'3 PE 23 - 23 21.8 0.7 - 34 18.6 1 5.2 15.4 18.4 1 21.5 13.4 16.4 1.9 36.1 6.1 93 Mid low Cap2m 349 896.7 485 18,257 707 4,468 EB³ 627.7 249 3875 1299 300.4 E444 5,882 77 3,179 56 22.4 199 317 799 905 6137, *3842 1882, 117 110 5.6 -1.9 ## 1025 | 2214 | 241 | 242 | 242 | 242 | 242 | 242 | 243 | 244 | 242 | 243 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 244 | 2 .::1 232 1,200
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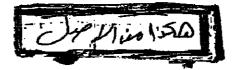


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CURRENCIES. MONEY AND CAPITAL MARKETS

FINANCIAL FUTURES AND OPTIONS

FOREIGN EXCHANGE

Dollar disappointment

THE DOLLAR failed to rise against the D-Mark in European trading yesterday, lan-guishing near the bottom of its DM1.65-DM1.70 range, writes Emma Tucker.

Its performance disappointed dollar bulls who were hoping to see the currency build on last week's promising performance.

With interest rates in Ger-many set to decline further towards the end of this year. and faster US growth encouraging talk of monetary tighten-ing by the Fed, many investors believe that the dollar's next move will be upwards.

There were no particular reasons for the currency's sluggishness yesterday. Some dealers attributed it to the continued effects of profit-taking that followed the dollar's brief foray through DM1.70 last

News that German M3 was revised down to an annual rate of 6.8 per cent from a provisional 7 per cent had little effect on the market. However. the revision moved M3's annualised growth rate closer to the top of it 4.5-6.5 target range and helped to reinforce expec tations that rates in Germany will come down towards the end of the year, or early in

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"There is a real prospect that M3 will come back within its target range by the end of the year," said Mr Paul Chertkow, of UBS. "Then we will see the Bundesbank focus on the real economy, rather than monetary aggregates and that will fuel speculation on interest

rate cuts."
Inflation figures in the US
today could trigger a rise in
the dollar, although Mr Avinash Persaud at JP Morgan says it is still too early for the Fed to consider an increase in

"I think we are in a long-term bull track for the dollar, but the markets have to sense that the Fed, when it makes its first move, has plenty of excuses," he said. He believes that the current

The dollar closed in London at DM1.6850 compared with Friday's close of DM1.6915. Trading in European curren-cies was uneventful. The

pound was weaker against the D-Mark which was marginally stronger virtually across the board. The market shrugged off economic statistics showing that prices of manufactured goods are rising at a slower rate than two months ago, while consumer borrowing rose in September for the second successive month. Sterling closed down two pfennigs at DM2.4950. Against the dollar it closed a touch softer at \$1.4805 compared with Friday's

The Belgian franc was slightly firmer against the D-Mark closing at BFr31.26 compared with the close of

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MONEY MARKETS

Muted activity

A DOWNWARD revision in the rate of growth in Germany's M3 measure of the money supply boosted hopes of further monetary easing by the Bund-esbank by the end of the year. writes Peter Marsh.

The revision to the annual-ised growth rate in September to 6.8 per cent from 7 per cent was another signal that inflationary pressures in Germany may be abating. That should give the green light to the central bank for a further cut in its key interest rates either this month or next.

UK clearing bank base lending rate 6 per cent from January 26, 1993

In Britain economists largely shrugged off figures from the Central Statistical Office showing a pick up in new consumer loans and lower than expected inflation at the level

of factory goods.

The belief in markets continues to be that political pressures will push Mr Kenneth Clarke, the chancellor, into cutting bank base rates around the time of the Budget on November 30, to

offset a likely fiscal tightening. Partly in reaction to the revised M3 figures, the December Euro DM futures contract was quoted last night at 93.85 after opening at 93.83. This signified increased

expectations in financial markets that the Bundesbank will cut its internationally important Lombard and discount rates, now 6.75 per cent and 5.75 per cent respectively. Many investors think the central bank could act at one of its council meetings in December.

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FT FOREIGN EXCHANGE RATES

In Bonn, Mr Eberhard Martini, president of the Federal Association of German Banks, added his weight to the conjecture over monetary easing by saying the Bundesbank had further scope for rate cuts. He said inflation would be at an average annualised rate of about 3 per cent next year, below this

year's level. In Britain money market activity was subdued with few analysts becoming wildly excited by the announcement that in the first nine months of this year, new consumer loans totalled £1.84bn, compared with £362m in the whole of last year and £1.06bn in 1991.

Mr Stephen Dorrell, financial secretary to the Treasury, took the figures as a further indication that the UK recovery is on track.

In the Bank of England's money market operations the Bank met a shortage of £1bn through routine bill purchases and by lending to the discount houses £440m in so-called "late

MONEY RATES									
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after a cautious start

Wall Street

AFTER an uneasy start yesterday morning, Wall Street regained its upward direction as investors shrugged off a continued sell-off in long-dated bonds and focused instead on signs of more robust economic growth, writes Frank McGurty in New York.

At 1 pm, the Dow Jones Industrial Average was up 8.66 at 3,652,09. The more broadly based Standard & Poor's 500 was 1.25 ahead at 460.82, while the Amex composite rose 0.37 to 475.70. The Nasdaq composite showed a solid gain of 4.02

Trading volume on the New York Stock Exchange was 134m shares by 1 pm, and rises outnumbered declines by 1,117

The mood was decidedly cautious at the opening, as Wall Street looked ahead to this week's reports on producer and retail prices for October. With data expected to show an uptick in inflation, many investors were sitting on the sidelines, bracing themselves for a further increase in

sell-off last week.

In the bond market, activity was light and prices were mixed with traders nervously awaiting the inflation data. The benchmark 30-year issue was down % at 100%, with the yield rising to 6.221 per cent. Prices at the short end of the maturity range were up slightly.

Despite the bond market's skittishness, there was some focus on the positive, with cyclical stocks, which are most sensitive to changes in the economy, showing some

In the automobile sector. Chrysler was \$1 higher at \$55%. Ford added \$% at \$61% and General Motors firmed by \$1/4 In heavy equipment, Cum-

mins Engine showed a \$1% advance to \$98%, while Cater pillar was \$% ahead at \$90%.
One of the session's most heavily traded issues was RJR Nabisco, which added \$% to \$6% after Bear Stearns upgraded the stock to a "speculative buy". Tobacco stocks

in the week, after the big gave back some of last week's gains, slipping \$% to \$54%. Paramount Communications climbed \$1% to \$81%. At the weekend. Viacom sweetened its hid for the entertainment company to \$80 a share, or

> On the Amex, Viacom class-A shares were down \$% at \$57% and its class-B shares slipped \$2% to \$49%. QVC, which is under pressure to raise its competing offer, advanced \$1% to \$54%.

> In the pharmaceuticals sector, Medco Containment Services rose \$1% to \$38% after the Federal Trade Commission announced that it would not challenge Merck's \$6m merger with the drug-distribution concern. Merck shares were \$%

TORONTO picked up after a weaker opening and by noon. the TSE-300 composite index was 10.22 higher at 4,212.25 in volume of 34.1m shares.

Among blue chip issues, Alcan traded C\$% lower at

Dow back on upgrade Bourses retrace ground after early rise

recover from Friday's losses, but in the end they had to settle for equilibrium, writes Our

FRANKFURT exemplified the continental trend, the DAX index hitting an intraday high of 2,031.32 before subsiding to close 1.75 lower on the day at 2.010.81.

Turnover fell from DM8.5bn to DM7.4bn. Daimler, excited a month ago by its New York stock market debut, dropped another DM10.50 to DM712, DM59.50 below its high for the year, while BMW eased only 20 pfg to DM613.80 against a 1993 high of DM640. In retailing, Karstadt, rose

DM20 to DM617 on talk of a

merger between it and the Hertle store chain. Hard news, meanwhile, took Lufthansa up DM3 to DM155 on a third quarter profit and a more than halved 9-month operating loss. AMSTERDAM took a negative view of the details of Akzo's merger with Nobel Industries of Sweden. The shares closed down Fl 12.10, or 6 per cent at Fl 185.10 following their 11 per cent gain last week

after good third quarter

THE Nikkei average rose mar-

ginally on bargain hunting, closing higher for the first time

in five trading days, unites

The 225-issue index gained 34.70 at 18,625.16 after a day's

low of 18,380.84 in the first

hour of trading and high of

18.671.67 later in the morning. Arbitrage selling of Nikkei 225

component stocks left out of

the new 300-issue index contin-

ued to depress the 225 index,

while individual investors liq-

Some arbitrageurs shifted

positions from the Nikkei 225

to the Topix index, lifting bank

Volume was 240m shares,

against 433.7m. Declines led

rises by 484 to 471, with 195

issues unchanged. The Topix

index of all first section stocks edged up 2.96 to 1,583.81 and, in

London, the ISE/Nikkei 50

Individual investors, who

had bought East Japan Railway at its initial offering price of Y380,000, took profits, depressing the stock by Y6,000

to Y479,000. Nippon Telegraph and Telephone declined Y11,000 to Y799,000, closing

below the Y800,000 level for the first time since March 11.

Banks were higher on Topix

index-linked buying. Industrial

Bank of Japan rose Y20 to

Y3,340 and Dai-Ichi Kangyo

Steels firmed on bargain

Profit-taking depressed some

hunting, with Nippon Steel, the day's most active issue,

consumer electronics manufac-

turers: Sony weakened Y40 to

Y4,910 and Pioneer Electronic declined Y70 to Y2,700.

Keisei Electric Railway.

which had lost ground in tan-

THE golds index finished

unchanged at 1,890, having

recovered from an early fall in

reaction to weakness of the

financial rand. Industrials

index 16 to 4,020. De Beers put on 25 cents at R83.50.

SOUTH AFRICA

Bank put on Y10 at Y2,330.

appreciating Y11 to Y331.

index firmed 0.23 to 1,267.40.

uidated margin positions.

Emiko Terazono in Tokyo.

merger - under which the Dutch chemicals group will raise FI 1.3bn through a share placing - were very expensive. Others commented that, in spite of a dilution in earnings next year, the new group could he expected to capture increased market share as the sector passed the bottom of the current downward cycle. Cost cutting measures would also result in substantial savings over time, they added.

The CBS Tendency index lost
0.7 to 135.7. KLM fell Fi 1.00 to

F1 39.80 following weakend news that no agreement had been reached on the Alcazar talks. However, there was speculation that should these talks fail. KLM and Swissair might attempt to form a link between

PARIS was modestly better following losses throughout last week. The CAC-40 index gained 3.78 to 2,084.79. In the automotive sector, Michelin rose FFr6.20 to FFr175.70 while Peugeot slipped back FFr5 to FFr653. In

a review, Lehman Brothers

Some analysts were con-FT-SE Actuaries Share Indices cerned that the terms of the Housey changes FT-SE Eurobasek 108 1346.93 1346.93 1345.91 1387.57 1837.01 1388.04 1536.92 1337.43 FT-SE Eurobasek 290 1406.20 1406.19 1402.26 1396.20 1387.24 1397.78 1397.86 1895.62 noted that there has been a 9

per cent outperformance by the sector over local markets in the year to date, in spite of car sales and earnings failing short of expectations. This, it said, had been due to interest rate cuts and favourable currency movements, which could also provide a favourable backdrop to a good performance through 1994. ZURICH gained ground early

in the day as bargain hunters returned, and while prices turned back from their best levels, the SMI index finished 21.1 higher at 2,675.3.

Interest centered on blue chips, which had been particu-larly hit by the correction. active issue, added SFr70 to

Open 18.80 11.06 12.00 13.00 14.00 - 15.00 Close 1346.93 1346.93 1343.17 1357.57 1357.01 1338.0A 1336.62 1337.43

boost, the general index ending 0.50 down at 299.54. However, the market extended its critical support. market After Kleinwort Benson's upgrade of the market from underweight to neutral a week ago, as a result of domestic interest rate cuts in October, and the more promising out look on labour reform and wage moderation, Goldman (Sachs said yesterday that it was raising its twelve month target for the index to 370.

market gave shares an early

ISTANBUL advanced 4.1 per cent aided by an improvement in the political outlook after the government announced anti-terrorist measures. The composite index rose 599.6 to

TEL AVIV, down 1 per cent on profit-taking on Sunday, rebounded again on underlying rumours of peace moves to close at a new all-time high in active trading. The Mishtanim index jumped 6.28, or 2.5 percent to 253.78 in turnover of

Written and edited by William Cochrene, John Pitt and Michael

surged on Friday on hopes of C\$25%, Imperial Oil was NZ tumbles by 6 per cent following election higher cigarette prices. Philip unchanged at C\$48% and Sea-

Divergent views emerge on the outlook for equities

By Michael Morgan

quity markets adopted a more sanguine mood yesterday after last week's declines, which stemmed from Wall Street and spilled over to Europe and Asia, resulting in a 2.3 per cent fall in the FT-Actuaries World

Europe, France and Germany were among those hardest hit over the week, while Italy, the biggest loser, had the additional burden of political worries and their potential for disrupting the passage of the budget and the timetable for elections next year.

Mr James Cornish of Nat-West Securities expects that markets will end this week marginally lower. He notes that European bourses have had a "supremely" good run and says that it was natural for investors to want to book some profits. He believes that prices will need to drift lower still before buyers would be enticed back into the market

Mr Sushil Wadwhani at Goldman Sachs International views last week's weakness as temporary turbulence, believing that the global bull market

in equities is intact. He concedes, however, that there could be short-term risks as a result of continued profittaking, with an increase in investor nervousness precipitating further price falls.

But his optimism for the medium term stems from an expectation that inflation should remain subdued. At the same time, he says that equities remain significantly undervalued relative to interest rates. "The equity weakness that has so far been caused by higher interest rates should. therefore, be a relatively tem-

st prices were unavailable for this edition.

NATIONAL AND

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Austria	-2.84	+2.90	+30.01	+30.16	+25.55	+23.
Belgium	-0.22	+2.80	+23.92	+23.78	+15.96	+13.
Denmark	-0.10	+4.59	+43.53	+37.83	+30.64	+28.
Finland	-0.72	+5.18	+102.32	+97.66	+82.06	+78.
France	-3.95	-2.53	+19.68	+16.74	+11.72	+9.
Germany	-2.26	+1.24	+35.32	+30.85	+27.40	+25.
tretend	+0.71	+5.55	+63.86	+49.03	+31.40	+29.
Italy	-5.47	-8,17	+40.10	+31.42	+20.04	+17.
Netherlands	+0.21	+8.54	+37.53	+33.83	+30.73	+28.
Norway	-2.80	+3.04	+53.58	+37.77	+31.62	+29
Spain	-3.02	+2.02	+52.79	+40.22	+20.20	+18
Sweden	-2.64	+2.18	+74.19	+37.89	+22,36	+20
Switzerland	-1.72	+5.08	+38.93	+29.40	+29.46	+27
UK	-2.62	-0.81	+16.42	+10.03	+10.03	+8
EUROPE	-2.49	+0.36	+27,58	+20.98	+17.59	+15
Australia	-1.68	+2.67	+40.74	+29.20	+29.19	+26
Hong Kong	-3.26	+13.69	+40.16	+62.53	+65.85	+62
Japan	-2.84	-3.29	+23.61	+21.53	+42.91	+40
Malaysia	-1.30	+6.97	+69.75	+75.97	+83.47	+80
New Zealand	+0.16	+7.29	+67,18	+45.75	+60.93	+58
Singapore	-4.28	+1.60	+52.66	+40.24	+46.90	+44
Canada	-1.55	+4.64	+17.42	+18.09	+18.18	+16
USA	-1.89	-0.53	+9.40	+5.03	+6.97	+5
Mexico	+1.59	+10.90	+28,43	+12.44	+13.54	+11
South Africa	+2.47	+4.46	+38.95	+28.72	+48.40	+43.
WORLD INDEX	-2.27	-0.57	+19,51	+15.39	+21,14	+18

Markets in Perspective

about economic growth, equities outperform bonds. Mr Albert Edwards at Kleinwort Benson is more bearish about the outlook. He began recommending investors to raise cash last Wednesday, warning that a rise in US short term rates was close. He sees no reason this week for investors to be returning to equities

on a global front. He notes that US rates were cut sharply in mid-1992 to kickstart the economy and breathe life into an ailing banking sector. However, with the US recovery from recession now 32 months old and the banking sector back at record profits, he believes that an increase in the Federal funds rate is close. "The risk is that the markets Mr Wadhwani adds that typido not view a % point increase year yields dropping to just cally in periods of optimism in isolation but as the first in a 5.2 per cent."

series of tightenings, which it will be. Equity markets such as Hong Kong and Germany are especially vulnerable to fears of a reversal of the US

mutual fund finance." Conversely, the economics team at James Capel doubts that the fall in the US bond market in recent days marks the end of a rally which had taken 30-year yields down from around 9 per cent in 1990 to below 6 per cent this October.

"The correction which has taken place so far is relatively small compared with previous sell-offs and is unlikely to be sustained indefinitely." the team notes. "We remain of the view that bonds will continue to rally through to the second quarter of next year, with 30-

Y21 to Y889 on bargain hunting, while Sumitomo Metal Mining, which had plunged last week on margin liquida-tion, rallied Y49 to Y857. In Osaka, the OSE average receded 36.48 to 20,764.81 in vol-

Roundup

ume of 18m shares.

THE RECHON'S markets were. generally in an uncertain mood

NEW ZEALAND tumbled by nearly 10 per cent at the opening in reaction to the inconclu sive election result; a partial recovery later in the ses saw the NZSE-40 capital index close a net 138.4, or 6.3 per cent off at 2.046.8.

Most of the selling was attributed to retail investors, said Ms Pauline McAtamney, an analyst at Ord Minnett in London, although, henceforward, there was expected to be some downweighting of the market by institutions. She added that the risk premium had returned to equities, following their recent period of outperformance, and that investors would be watching closely what hap-

pened in the bond market over the coming days. Telecom, one of the leading stocks, fell 42 cents to NZ\$4.08. AUSTRALIA retreated on vhat analysts described more as profit-taking than reaction to events in New Zealand. The

All Ordinaries index lost 25.7. or 1.24 per cent, at 2,054.2. Turnover came to A\$849.1m. Banks were among the biggest fallers ahead of next week's earnings announcements. National Australia Bank shed 10 cents to A\$12.50

and Westpac 17 cents to A\$4.21.

HONG KONG rose on

demand from overseas institutions, particularly in the property sector. The Hang Seng index gained 181.02 at 9,177.95 in turnover of HK\$5.4bn.

New 2 New 2

SFr5.730. Banks and insurers

saw gains: Winterthur bearers rose SFr36 to SFr868.

Electrowat added SFr30 to

SFr3.310 with its forecast of

higher net income proving in

MILAN's Comit index fin-

<u>ished</u> 1.14 higher at 556.60 in

tions issues saw the best busi-

ness, with Sip dipping L84 to L3,245 and Stat edging L13

The fanfare that greeted the

launch of Fiat's new small Punto car at the weekend

failed to spill over to market dealing. The shares finished

L22 higher at L3,446 after a high of L3,535.

a strong opening on the bond

MADRID closed mixed after

line with expectations.

higher to 13,886.

1442 07

Nor 5 Nor 4

1429.46

Sun Hung Kai Properties advanced HK\$2.50 to HK\$55.50, Cheung Kong HK\$1 to HK\$36 and Henderson Land 75 cents to HK\$30.25. SEOUL strengthened

slightly, registering a gain in the composite index of 6.10 at 7/5.47 in Won908.3bn turnover. Brokers said export-orientated stocks were given a boost by good October trade figures. Samsung Electronics and Samsung Electron Devices went the day's limit up, both rising by Won1,600 to Won48,600 and

Won58,000 respectively. TAIWAN fell back for the fourth straight session as investors continued to take profits. The weighted index relinquished 25.78 to 4,195.82.

Turnover amounted to

MANILA added to its recent losses as another heavy fall in PLDT shares made its impact felt. The composite index dropped 59.86 to 2,351.46.

Brukers said the fortunes of PLDT would dictate events in the near term, with some forecasting that the stock was now due for a rise in US trading. It

fell 65 pesos to 1,760 pesos.
KUALA LUMPUR declined 2.5 per cent but was off the day's lows on bargain hunting. Some commentators attributed the market's loss to the fact that dealers had been forcing clients unable to meet payment deadlines to unload their positions. The composite index shed 23.42 to 921.52.

BOMBAY firmed on strong buying by foreign investors 48.58 to 2,713.30.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

REGIONAL MARKETS			FRID	AY NOVE	MEDER 5	1993			T	HEDAY	MOVEM	BER 4 19	9 3	DOL	LAR IND	
Figures in parenthoses show number of lines of stock	US Dollar Index	Day's Change %	Pound Stering Index	Yeri Index	DM Index	Local Currency Index	Local % chg on day	Gross Lilv. Yaski	US Daller Index	Pound Starling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	158,70	-1.1	158.28	108,49	139,57	156.33	-1.2	3.31	160.43	160.76	109.83	141.46	158.29	162,83	117.39	116.19
Austria (17)	172.77	-1,7	172,32	118,11	151,94	152_79	-1.2	1.03	176.84	176.21	120.38	155.05	154.72	184,47	131.16	141.47
Belgium (42)	151.68	-0.5	151.28	103.68	133,38	135.22	-1.2	4.26	152.51	152.83	104,40	134,47	136.90	156.76	131.19	134,41
Canada (107)	134.19	+0.5	133.83	91.73	118.00	125.73	-0.3	2,66	133.44	133.72	91.34	117.65	126.09	134.34	111.41	117,07
	238.74	-1.0	238.11	163.21	209.95	218.93	-1.3	1.04	241.06	241.57	165.03	212.56	221.88	241.08	185.11	184.18
	124.43	-26	124,11	85.07	109,43	151.03	-23	0.69	127.71	127.97	87.43	112.61	154.51	128.99	65.50	69.59
	161,43	-1.8	161.01 129.80	110,35 88,98	141,95 114,45	148.90 114.45	-23 -23	3.12	184.42 132.79	164.78	112.55	144.98	152.42	173.05	142.72	146.36
Germany (60)	130.14 360.77	-2.0 -2.5	359.82	246.63	317.28	357.90	-2.5	1.86 3.05	369.85	133.06 370.82	90.91 253.19	117.08 326.13	117.08 388.90	136.13 386.88	101,59 218,82	102.51 258.90
	175.18	-2.5	174.71	119.76	154.05	175.88	-1.8	3.19	177.89	178.26	121.78	158.85	178.B5	177.89	129.28	126.69
taly (70)	64.67	-2.4	64.50	44.21	56.85	79.35	-2.5	211	68.26	68.40	45.36	58.42	81.35	78.93	53.78	56.18
	147.36	-1.2	146.98	100,74	129.61	100.74	-1.3	0.81	149.13	149.44	102.09	131.51	102.09	165.91	100.75	103.74
	470.98	-3.4	469.75	321.97	414,18	463.46	-3.7	1.48	487.72	488.74	333.87	430.04	481.24	487.72	251.66	282.21
Mexico (19)		+0.7			1615.48	6320.71	+0.7	0.78	1824.68	1828.49					1410.30	1466.50
Netherland (25)	194.33	-1.4	193.82	132.85	170.90	168.21	-1.7	3,26	197.07	197.49	134,91	173,77	171.17	197.07	150.39	149.82
New Zeoland (13)	67.77	-0.5	67.59	46.33	59.60	64.58	-0.9	3.44	68.15	68.29	46.65	60.09	65.19	68.3B	40.58	33.01
Norway (23)	177.96	-22	177.49	121.66	156,50	178.14	-21	1.43	181.89	182.27	124,52	160.38	181.89	185,10	137.71	133.27
	307,74	-2.8	306.93	210.38	270.63	226,20	-2.6	1,49	316.68	317.34	216.79	279.23	232,15	332.55	207.04	197.12
	212.87	-0.3	212,31	145.52	187,20	202,28	+0.8	2.63	213.43	213.87	146.11	188.18	200.59	218.72	144.72	141.81
Spain (42)	137.63	-2.7	137.26	94.09	121,03	141,90	-2.4	4.16	141.37	141.67	96.78	124.65	145,34	146.24	115,23	107.24
Sweden (36)	198.8 3	-1.7	198.37	135.97	174,91	239,01	-2.4	1.41	202.42	202.85	138.58	178.49	244.90	206.92	149.70	155.91
Switzerland (50)	143.64	-1.0	143.26	98,20	126.33	132.86	-1.7	1.63	145.08	145.39	99.33	127,94	135.19	148.18	108.91	108.06
United Kingdom (218)	186.20	-1.4	185.71	127.28	163.73	185.71	-1.9	3.85	188.86	189.25	129.28	166.51	189.25	193.97	162.00	
USA (519)	187.05	+0.5	186.56	127.88	164.50	187,05	+0.5	2,76	186.15	186.54	127.44	164.74	186.15	191.56	175.38	170.74
Europe (750)	157.03	-1.6	156.62	107.35	138.10	151.04	-2.0	3.00	159.58	159.91	109.24	140.71	154.12	162.97	133.92	132.03
Nordic (114)	189,42	-1.7	188.92	129,49	166.57	198,23	-2.1	1.24	19270	193.10	131.92	169.91	202.52	194.54	142.13	142.15
Pacific Basin (713)	155.57	-1,3	155.16	106.36	136.81	110.38	-1.5	1,09	157,67	158.00	107.94	139.03	112.01	188.80	105.89	109.07
Euro-Pacific (1463)	156.07	-1.4	155.66	106,68	137 <i>.</i> 24	126,63	-1.7	1.89	158,35	15 8.6 8	108.39	139.62	128.80	162.86	117,26	118.36
North America (626)	183.75	+0.5	183.26	125.63	161.62	182.85	+0.5	2.75	182,86	183.24	125.19	181.26	182.03	187.68	171.51	167.40
Europe Ex. UK (532)	138.27	-1.7	137.91	94.55	121,62	130,49	-21	2,46	140,69	140.98	96.33	124.08	133.27	143.73	112.51	112.24
Pacific Ex. Japan (244)	235.03	-2.2	234.41	160.70	206.71	216,81	-23	2.74	240,28	240.76	164.50	211.87	221.84	245.12	152.70	161.41
World Ex. US (1649)	157.02	-1.3	156.61	107.35	138.09	129.98	-1.6	1.91	159.16	159.49	108.97	140.35	131.05	162.89	118,51	119.38
World Ex. UK (1950)	164.09	-0.6	163.66	112.18	144,32	143.21	-0.7	2.05	165,06	165.40	113.00	145.55	144.22	168,68	134.22	133.00
	165.83	-0.7	165.39	113.37	145,84	146,54	-0.8	2.22	166,94	167.29	114.30	147.21	147.76	170.48	137.29	135.85
World Ex. Japan (1699)	177.76	-0.4	177.29	121,53	156.34	173.77	-0.6	2.82	178.55	178.92	122.24	157.46	174,82	181.67	157.47	153.97
The World Index (2168)	166.04	-0.7	165.61	113.52	146.03	147.03	-0.8	2.23	167,16	167.50	114,44	147,40	148.24	170.68	137.32	135,77

a cellular call in have to do

We're involved in both. As the need for advanced communications grows worldwide, Southwestern Bell Corporation is growing internationally to meet it. We're now the 93rd largest company in the world, doing business on five continents. And a few islands.

We're in Mexico, where we have controlling interest in Teléfonos de México with our partners, Grupo Carso and France Telecom. Over the next four years, Telmex is investing nine billion dollars in cellular and other network upgrades.

We're in the U.K., where we provide cable-television and telephone services to eight markets. That makes us one of the top three cable providers in the country. We're in Australia, as partners in Pacific Access, a company which produces, distributes, and markets Yellow Pages directories.

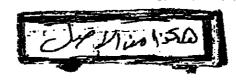
We're in Israel, where our interests are in cable networks, telephone directories, and directory software. And in the U.S., we provide more than 10 million people with cellular communications and network telephone service and equipment.

From wireless personal communications to advanced liber-optic networks, we have the technology to help people communicate better around the world. It's nice to feel welcome in so many places.

Third Quar	ter 199	3 Resul	ts
	1993 (((naudited)	1992	% Chg.
Sales (000,000) Het Income (000,000) Earnings per Share' Assets (000,000) Access Lines (000)	\$2,795.1 \$455.8 \$0.76 \$24,211.0	\$2,617.7 \$410,6 \$0,68 \$23,810,0	6.8 11.0 11.8 1.7
Cellular Customers (000) Cellular Customers (000) '983' set locare and strategy per- lor field referencing and a constant per- ated with belightness company real \$000ing, 1992' set locares occurrency \$221' realized for costs, approaching with	Carlo Marie 24 Archarles and des	A Parison for Some	1535, 2500¢j-

(A) Southwestern Bell Corporation

"The One to Call On"



Free-spending days are over

AS YOU lie sleepless in an unfamiliar hotel bed, wondering whether switching on CNN will provoke another round of irate wall-knocking from next door, comfort yourself by pondering the contribution you are making to a great

Not the chemical, pharmaceuticals or financial services industry, but the business of business travel. The money that companies spend ferrying employees from city to city, from sales presentation to conference to contract signing, now accounts for an average 25 per cent of European gross domestic product.

German companies spend \$38.8hm on business travel and expenditure annually: British organisations spend \$30.3bn; French companies

Not that the average business traveller is seeing much of this laviah outlay. While the amounts spent on business travel might seem high, they are not growing. A recent 10-country survey by American Express found that European business travel expenditure is expected to fall by 0.3 per cent this year. In Sweden, it is expected to drop by II per cent, in Germany by 6 per cent, in Switzerland by 4.5 per cent.

Expenditure will rise in some countries. The UK, after two depressed years, will see business travel spending grow by 9 per cent. Spain will enjoy growth of 44 per cent and Hungary, beginning from a low base, will see a rise of 143 per

fiven in countries where expenditure is growing, however, the opportunities to enjoy business travel are becoming increasingly restricted business travellers are expected to spend fewer days, mishing to more appointments, flying ever further back in the aeroplane and staying in cheaper hotels

Mr Juergen Bartels, chief executive of the Carlson Hospitality group, which owns Radisson Hotels, offers this cheery thought it is never going to get better. There are some signs that business travel expenditure increases as national economies improve, but Mr Bartels insists the free-spending days of the 1980s will not return.

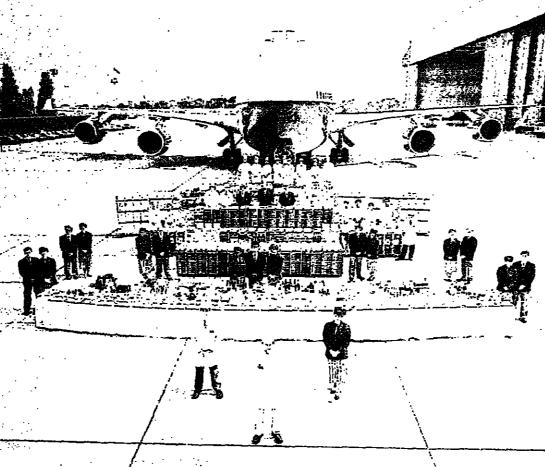
European and US businesses' painful restructuring in the face of Asian competition will keep costs under pressure until long after today's business travellers have retired, he says. There is, he adds, no point in building any new four or five-star hotels in the US or western Europe. The demand will not be there.

The American Express survey, which covers 3,500 companies, appears to bear out this pessimism. Although 64 per cent of European companies have taken recent initiatives to control travel expenditure, many feel they have further to go. Only 54 per cent of European companies say they are entirely satisfied with their cost-cutting efforts so far. The travellers likely to endure the least additional pain in the future are the Spanish and the British.

Almost 90 per cent of Spanish companies say they are satisfied with their cost-cutting. Nearly two-thirds of UK companies say their travel expenditure is now under control. The travellers who are in for the toughest time are the French; only 26 per cent of companies in France believe they have successfully controlled travel expenses.

Nearly three-quarters of European companies tell their employees

which travel agent to use. About



Cetering supplies for a Boeing 747-400 long-haul flight - 40,150 items from champagne to videos for 400 passengers

fifth of those have changed their travel agent in the past two years, either because they were dissatisfied with the service they were receiving or because they thought the new agent could obtain larger discounts.

But if employers are giving business travellers less money to spend, airlines and hotels are constantly looking for ways of making their guests feel their money is going further. Hotels and airlines are linking up to reward their most loyal customers. There are free flights for those who stick to one airline. Hotels are offering gifts for travellers to take home to their children. As in all industries, it is cheaper to keep old customers than attract new ones. As money becomes tighter, the business travel industry

ers, trying to determine who they are and what they want.

According to the American Express survey, the European business traveller is still likely to be male. Only 13 per cent of European business travellers are women. This contrasts strongly with the US, where Mr Bartels puts the figure at close to 40 per cent.

There are cigns that European

There are signs that European businesswomen are travelling more. In the UK, the proportion of women business travellers is now 23 per cent, double the number in 1989. In the financial services sector, 44 per cent of UK business travellers are women. In Spain, women make up 17 per cent of business travellers. The number of female business travellers in the other large European economies is still relatively low: in France

it is 10 per cent, in Germany 11 per

cent and in Italy 7 per cent.

The industry expects the number of women to rise throughout Europe, particularly as economies continue the shift from manufacturing to service industries. However, many hoteliers are still ill-equipped to meet women travellers' needs, according to Mr Mark Harris, marketing manager of Expotel, a large hotel reservations agency.

His company's market research shows that most women travellers are generally satisfied with hotel service standards. Hotel reception desks are usually given high marks for their endeavours to make women guests feel welcome.

But hotels, particularly in the UK, still fail to provide the level of physical security that women travellers are looking for, Mr Harris says. Many British hotels do not have peepholes or chains on doors and car parking areas are poorly lit. He says Expotel's women customers also want a more discreet check-in process, so that only the guest knows the room allocated to ber.

Other complaints focus on the lack of facilities in rooms. While hotels provide trouser presses and suit hangers, many do not have skirt hangers, hair dryers, irons or ironing boards. Hotel restaurants are criticised for not providing tables for single guests. Twenty-four hour room service is regarded as essential by many women business travellers, Mr Harris says.

While business travellers are encouraged to spend fewer days away from the office, they still resent the time spent away from their families, says Mr Michael Stajdel, head of European, African and Middle East marketing at Inter-Continental Hotels.

When Inter-Continental asked its customers what they wanted from the chain, the most popular answer was to be able to being their spouses and partners along. As frequent flyer programmes can be used to win a free ticket for partners, many travellers have been asking for double occupancy of their hotel rooms at no extra charge. Another popular request was for transport from the airport to the hotel. Many said it provided a more comfortable start, particularly in cities where they did not speak the language.

Given the pressures on them to show that their journeys have been worthwhile, today's business travellers also want hotels to make it easier to work while they are on the road. "If we look at the research of 10 years ago, people said they wanted their hotels to be homes away from home," Mr Stajdel says. "Today they want them to be offices

away from the office."

Some of the ways to ensure office-like efficiency in hotels are already standard, such as swift delivery of facsimile messages or fax machines in rooms. At the Inter-Continental in London, guests can leave a voice mail message in the language of their choice.

Today's business travellers feel the need to be healthier and more alert. Hotels have built more health clubs as well as business centres. "Whereas 10 years ago travellers would want a bottle of whisky, today it's fresh fruit and mineral water," says Mr Staidel.

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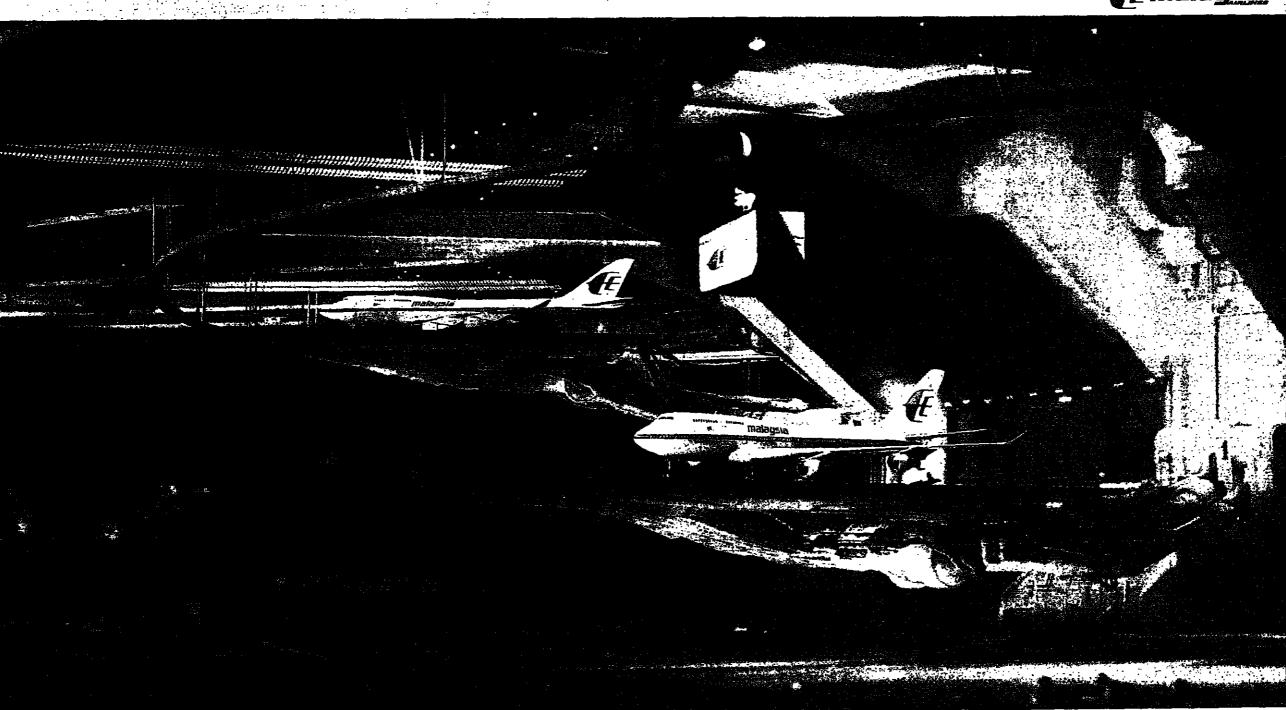
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Editorial production
Gabriel Bowman
Design Robin Coles

Temalaysia



A vision of the future by Mulaysia Airlines.

MALAYSIA AIRLINES HAS THE largest FLEET OF AIRCRAFT IN SOUTHEAST ASIA.

Imagine the future for one of the world's fastest growing airlines. Flying the latest 747-400s and the largest fleet of 737-400s outside the USA. All part of an extensive US\$5 billion 72-aircraft renewal programme. On our 747-400 services, we offer First and Golden Club Class passengers the latest in-flight entertainment. Our personal television system, MAS

Skyvision, features 6 channels and video games. While a CD music system entertains with a wide selection on 9 channels. And anywhere you fly, you can keep in touch with the world with MASfone, our global telecommunications system. Across 5 continents, graced with service from the heart which says, you mean the world to us. Imagine. Fly Malaysia Airlines.





MANY BUSINESS travellers had no idea until quite recently that you could turn right when you entered an air-craft, says Mr Keith Webber, UK director of Uniglobe Travel, a network of franchised travel agents.

Turning right when you enter an aircraft takes you to economy class. An increasing number of business travellers now spend their journeys

there. Mr Webber says: "If you have always travelled business class and then one day there's a policy change and they say any flight of less than 10 hours is now economy, that There has been more cost-cutting in the air than on hotels, reports Michael Skapinker

Executives who must now turn right

takes some getting used to."
Only 14.9 per cent of UK impanies now allow all staff to fly business class throughout the world, according to Thomas Cook, the travel tion was 25.4 per cent. A year from now, only 13.4 per cent expect to permit all staff to fly

many people flying business or first class, as any traveller can see. Many have bought cheaper tickets but have man-aged to get themselves upgraded. Others have retained the right to fly at the front of the aeroplane because of their seniority.

However, there are still flying at the front are likely to nany people flying business or be Spanish and Belgian, reports a recent Europe-wide survey by American Express. Over 20 per cent of Spanish senior managers still fly first Nineteen per cent of Belgian senior managers fly first class, followed by German executives at 16 per cent. The least

likely to be flying first class are the Swedes (4 per cent), the Dutch (5 per cent) and the French (7 per cent).

of choice for senior managers Around half of all senior executives in Belgium, Hungary. Italy, the Netherlands, Swit-

ness class on long-haul flights.

A striking feature of the American Express survey, however, is the number of senior managers who now fly economy class on long-haul flights. Spenish senior executives, who have the highest representation in first class. also have the highest number

flying economy. About 40 per

ers fly economy on long-haul

flights.
Other countries with large numbers of senior managers in economy are the Netherlands (36 per cent), Italy (31 per cent), Sweden (30 per cent), and the UK and France (26 per

However, such travellers, now flying in greater discom-fort than previously, have a greater chance of holding on to their old privileges when it comes to choosing a hotel.

Some travel industry mana ers, such as Mr Bill Kirkwood. sales and marketing director of Thomas Cook Travel Management, criticise companies for devoting too much of their cost-cutting effort to the air-line bill. He says: "Too many companies are wasting the savings they have made in the air with a poor choice of

But Mr Webber says there is a logic to companies warrying less about which botel their employees stay in than which airlines they fly. The hotel bill forms a smaller proportion of total travel costs than airline

The American Express survey found, however, that while air fares are the biggest travel expense for companies, hotels are not far behind. Air fares account for 26 per cent of travel expenditure, with hotels at 19 per cent and motoring costs at 19 per cent.

Mr Richard Lovell, managing director of Wagons-lits Travel, says the reason why business travellers have been allowed greater freedom in choosing a hotel than an air-line is that many companies are still unaware of what accommodation is costing

Only 25 per cent of hotel bookings are made through travel agents, he says. Many travellers' hotel bookings are handled directly by their secretaries. By contrast, 70 per cent of airline bookings are made through travel agents, and the number is growing. The greater mass of airline information provided by travel agents makes cost control

Mr Lovell says there have, nevertheless, long been gen-eral rules about which staff stay in which class of hotel. In

stic business travel particularly, staff sent out to sell goods and service customers equipment have been expected to stay in budget botels of the sort provided by large groups such as Forte in the UK and Accor in France.

At the top end of the corpo rate hierarchy, senior executives have traditionally stayed in exclusive flve-star hotels. That has changed over the past two or three years, with many senior managers deciding to stay in less exclusive

This is not necessarily because those senior executives want to save money.

Senior executives stay in four-star or even three-star hotels because they want to be seen to be setting an example to staff

Large savings have been available at many of Europe's most exclusive botels over the past few years. Mr Lovell says he remembers getting a £225 double room at a top hotel in London for £80 for one of his cli-

The real reason why many senior executives stay in fourstar or even three-star hotels is they want to be seen to be setting an example to staff.

A manager at one of the laments the fact that many senior executives will no longer stay at his establishment, no matter how little the rooms cost. If word got around the office that the chief executive was staying there, the credibility of the company's cost-cntting policy would be irretrievably damaged. Explanations that the chief executive had got a special deal would cut

little ice. Four-star hotels have bene fited from this need to be seen to be austere in choice of accommodation. Small, exclusive hotels in London have also been able to attract senior executives who are steering clear of better-known estab-

One area where exclusiveness appears to be thriving, however, is rail travel. Mr Lovell says that his company has seen an increase in bookings of first-class rail tickets. He says: "We think that what is happening is people are being told they can't stav away overnight. They have to do their journey in a day. What they can do, however, is go first class on the train."

agents. A year ago, the proporclass on long-haul flights.

Is your journey necessary?

Gillian Upton explains how companies are trying to reduce costs

and the onset of the recession. companies had started to turn the spotlight on travel costs. Airlines had already been witnessing a downtrading from first-class to business class, for

"People are using the recession as an excuse," claims Mr Steven Lek, general manager, UK and Ireland, for Singapore Airlines, one of the airlines retaining first-class cabins in the hope of a cyclical

is so good now it's difficult to

"So many companies have made cuts that they might not have staff to police what's going on"

justify first-class," he says. Long a poorly tracked item in a company's report and accounts, necessity - in the form of recession - has turned the spotlight even harder on travel expenditure.

But three years later, companies have got used to the substantial savings and are now prepared to forgo flexibility and staff demotivation in

favour of cheaper tickets. Mr Kevin O'Bræn, author of The West European Business Travel Market 1993-97, published by the Financial Times earlier this autumn, believes that the new-found cost-consciousness will not diminish after the recession ends. "The Gulf War educated the corporate sector as to the amount of non-essential travel expendi-

EVEN BEFORE the Culf War ture incurred in previous savings, but Mr Watts is con-

"The 1990s will witness the advent of the responsible, cost-conscious business traveller," he says. "Traveller preferences will become less important to the corporate client as the benelits of cost reductions will increasingly outweigh them."

Major corporations have become more stringent in their travel policies for staff or have written a formal travel policy for the first time. However, according to Mr Colin Rainpan-European travel agency

chain Wagons-lits, there is still a resistance to implementing the policy. They're not prepared to grasp the nettle," says Mr Rainbow. "It's more for an

easy life than anything else although so many companies have cut down on staff levels that they might not have enough staff to police what's going on." There are, of course, plenty of examples in the UK corporate sector which are exceptions to this. "One of the things we are looking at more vociferously now is the need to travel, not just costs," explains Mr Kevin Watts, travel manager of the British Council. "We will always travel when there's a business need but we are looking at the business

The first thrust of the council's strategy is to cut back on domestic travel between its London and Manchester offices by installing a permanent video conference link between the two locations. It was installed only six months ago and it is too soon to track

vinced that it will "knock a big dent in our domestic travel cost. Two out of three trips between the two locations could conceivably be handled by video conferencing." he

The initial resistance to using the facility was overcome by offering staff social use of it over lunch periods so they could talk to their friends. Attempts to make extra savings on overseas travel are just beginning. The council is

"People are expected to work harder now, so downgrading is not seen as the way to go"

class is appropriate on all jour-

neys over two and a half hours, a class of air travel stipulated in the company's travel policy. We point out that if they go Economy class instead, they would get more trips out of their travel budget," says Mr Watts.

While he appreciates that the majority of the overseas trips are necessary (trips are generally of around 10 days' duration and involve major projects) he believes that the advent of worldwide video conferencing will change the face of long-haul travel. "Travelling per se is unproductive," he

By contrast, Mr Jim Thomas, head of travel and transport services at the Shell Centre, part of Shell International. believes teleconferencing and

video conferencing do not take the place of travel; instead, they augment rather than replace it. "Electronic communication isn't a good substitute for face to face interviews." says Mr Thomas.

Shell International with an emphasis on staff motivation, has a more liberal policy toward executive travel than the British Council. There has been no downtrading since the recession; it has not been on the agenda. "It's not an issue." says Mr Thomas. "The purpose importance. People are expected to work harder now, so downgrading is not seen as the way to go.

Instead, the company looks to reap benefits from airlines in the form of route rebates. The company's outlay on air tickets is a cool £12.5m a year and on overseas hotels £5-6m a year. Such spending can speak volumes around a negotiating table. Anybody who needs to travel still has to get authority to do so and then it will be suggested which airlines to patronise. "We don't dictate," says Mr Thomas, "but we would obviously like the travellers to use the preferred car-

The last round of downtrading was undertaken a decade ago when first-class disappeared for all inter-continental flights. Now it is business class, even within Europe, for the company's 2,500 travelling executives. Only some 60 senior staff are eligible to fly

riers where we can get deals."



If money is no object ... the Brigantine Wan Fu off Hong Kong ... One Guar

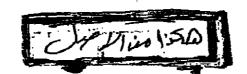


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FINANCIAL TIMES TUESDAY NOVEMBER 9 1993

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Business

Class

pproaching a hotel a year or two back, a business traveller would look from the outside at how many room lights were on and then how busy the lobby was.

If the hotel appeared to be having a difficult time, as so many were then, the business traveller would demand a room at a ludicrously cheap price and get it.

Things have changed slightly since then. In some cities, such as London, occupancies have crept up and hoteliers are less inclined to give their rooms away for next to nothing.
But despite the improvement

in some hoteliers' business, published or "rack" rates are largely fictional. Few travellers

Mr Juergen Bartels, chief executive of Carlson Hospitality, which owns the Radisson hotel chain, says that in the US, only 20 per cent of guests pay the full rate. One of London's most distinguished hotels admits that only 10 per cent of its guests pay the rack

A survey published earlier this year by Pannell Kerr Forster, a leisure consultancy found that guests in Edinburgh hotels were receiving average discounts of 44.8 per cent off the official rate. In Oslo, discounts of 44.7 per cent were available. Business travellers could get 42.8 per cent off their bills in Manchester and 40.1 per cent in Athens.

Even the European cities with the firmest room rates were found to be offering substantial reductions: 12.5 per cent in Zurich, 14.5 per cent in Prague and 15.5 per cent in

Business travellers are in a stronger position to negotiate than five years ago because there are fewer of them as a proportion of all hotel guests. Mr Geoff Parkinson, a director of the Horwath hotel and leisure consultancy, says the worldwide proportion of hotel guests who are business travellers, conference delegates and government officials has fallen from 56 per cent in 1988 to 49 per cent in 1992. The

ven before setting foot in

🕶 the hotel lobby, the

business traveller will have, probably unknowingly, benefited from the introduction of computer technology to the hotel industry.

If the reservation was made

via a travel agent, perhaps in

conjunction with air travel, an airline computer reservation

system (CRS) or dedicated

hotel CRS may have been used. Alternatively, the book-

ing may have been made by

calling a hotel's computerised

European market leaders

Sabre, Galileo International

and Amadeus, now provide

their travel agent customers

hotel and car hire information

For example, Sabre's Shaarp Plus hotel booking service car-

ries information from over 180 hotel chains and reservation

companies along with details

of more than 27,000 hotels. A

direct connect service is avail-

able for 57 hotel groups, enabling Sabre to link into

hotels' host computer systems

and provide latest room avail-

ability and rate information.

together with immediate con-

Some large hotel chains

have installed their own cen-

tral reservation systems while

others have joined one of the marketing consortia such as

Best Western Hotels and

Supranational Hotel Reserva-

telephone bookings for a wide

These central reservations

ware developed in-house by

big chains such as Forte or by

software specialists including

has installed 26 "Hornet"

As a guest arrives in the

hotel lobby, sophisticated

computer programmes

come into play

systems in the UK and conti-

nental Europe. MDIS custom-ers in the UK include Best

Western and Hilton whose sys-

tem, installed three years ago,

handles bookings for 42 Hilton

In the wake of the Gulf war

and the recession, Mr Stephen

Sawyers, general manager for hotel and leisure industry

operations at MDIS, says:

Hotels and hotel groups have

woken up to the need to mar-

ket their services more effec-

tively and aggressively and

they need technology to help

them do it." Central reserva-

tion systems like Hornet also

handle the links between

hotels' host computer systems

and global CRSs. "It is quite a

difficult integration job." says

One key advantage of these

Mr Sawyer.

hotels in the UK.

range of independent hotels.

firmation of the booking.

as part of their services.

central reservation system. CRSs, including the US and

chances are that today's



Michael Skapinker offers advice on choosing a hotel

Don't pay what they charge

who spend less. Parkinson

"Although tourists are clearly welcome, the tourist market is very competitive and many hotels will not be able to return to full profitability

Bookings are being made far later than they were three years ago

without an increase in business traffic." But while the business traveller remains the guest of choice for hoteliers, his or her money has been difficult to come by since the Gulf War.

Mr Michael Ball, marketing

which handles sales and reservations for hotels around the world, sees signs everywhere that companies and business travellers are economising on their hotel expenditure. Although occupancies have started to rise in a few European cities, bookings are still being made far later than they were three years ago.

The length of time that business travellers stay in hotels is shorter than it was a few years ago. Mr Ball says cross-border hotel reservations are now for an average stay of 2.5 nights, compared with 2.7 nights before the Gulf War.

Companies are still looking for reduced rates or instructing their staff to stay in cheaper

hotels, Mr Ball says. The difference compared with a year ago, he says, is that it is corporate buyers who are now obtaining the discounts; individual travellers attempting to negotiate a cheaper rate might find it more difficult.

ondon heathrow

He says: "The individual traveller can no longer make the guaranteed assumption that rates are going to be reduced. There will still be hotels where, if you arrive late, you will be able to negotiate the rate down. But the fire sales which we saw in some markets have pretty much come to an end."

However, Mr Michael Stajdel Inter-Continental Hotels' head of marketing in Europe, the Middle East and Africa, says that companies have become hotel rates for their travel-

Mr Stajdel says: "In years past, travellers had almost a completely discretionary choice as to where they would stay and what airline they

Employees have more choice on hotels than on airlines or car hire firms

would fly. At the time of the Gulf War, companies began to scrutinise their travel and entertainment budgets and they realised that there were opportunities to make savings. Companies began to analyse what they were worth to travel suppliers such as hotels and to use that to negotiate more effectively. They've begun to limit the number of hotels they use. This increases the volume of travellers they send to any given hotel and they can use that to get a better price."

Some companies have begun to instruct their employees to use certain hotels rather than others. In one US financial institution, a regular travel report throws up the name of any employee using a hotel which is not recommended by the company. The employee is sen and warned that staying in unauthorised accommodation could result in travel expendi-

ture not being reimbursed These rigorous procedures are not yet in force everywhere, however. Many employ ees still have more choice over botels than they have over air lines or car hire firms.

Mr Bill Kirkwood, sales and marketing director at Thomas Cook Travel Management, said research carried out for his company in the UK by the University of Surrey, found that 21 per cent of companies had strict policies on which airlines staff could use. Nearly one third placed strict limits on the choice of car hire firm. However, only 18 per cent of com-panies told staff which hotels to use.

This means hotels can still try to find ways of attracting individual business travellers. Apart from keeping their rates down, hotels are looking at how to make business travellers' stays more comfortable. Free gifts, free breakfast and reduced telephone and facsimile charges are some of the devices being used to attract

business travellers to hotels. Ms Vanessa Leak, Thomas Cook Travel Management's head of marketing, says: Hotels are starting to see the benefits that loyalty programmes have provided to airlines. Frequent guest programmes differ from airline programmes in that they usually give a benefit that is tiately redeemable, like a room upgrade or fast check-



Paul Taylor on advances in hotel technology

An accommodating computer does the bookings

tions which run reservation systems or one of the booking services like Utel International systems is ease of use. For Reservations which handle example, a traveller visiting several European capitals can telephone a central reservation system and make consystems use sophisticated softfirmed bookings for each city while on the line. The central computer system then updates individual hotels host com-MDIS (McDonnell Douglas Duter systems, either electronically or by fax, and updates the records held in any participating airline CRS. If the booking covers several different hotel chains, the central system will handle all the elec-tronic "paperwork" and charge the hotels the appropri-

> Some travel management companies have gone one step further, providing an integrated approach to hotel booking. For example, Thomas Cook Travel Management has spent 18 months and more than £1m to develop a new booking system called System Four. Mr Bill Kirkwood, director of sales and marketing, says of the system: "On a single CRS screen, which is divided into four segments, all the relevant information nec-

essary to book flights, hotels and car hire appears." As with central reservations systems, the main advantage for the business traveller is that hotel bookings are confirmed on the spot, while the customer is on the telephone. A profile of the client is held on the system, so that preferences such as a non-smoking

room or business facilities can be arranged without the caller needing to ask for them. Technology will be the key differential between travel management companies in the future," says Mr Kirkwood.

Technology is also becoming increasingly important in the internal management of hotel systems. As soon as a guest arrives in the hotel lobby.

tightened. The days of the traditional hotel room key aiready look numbered

Security is being

another range of sophisticated computer programmes called **Property Management Systems** (PMS) comes into play. Many varieties of PMS are

available from software companies and specialist system houses on both sides of the Atlantic. Most consist of a central or core programme which handles basic functions such as reservations, check-in and check-out and accounting. They also accept add-on specialist "modules" and provide electronic links or "interfaces" to other automated hotel systems, including energy management, electronic key and telephone management

Among the PMS suppliers in the UK is Avon Data Systems. which has been selling a range of PMS packages which run with Paragon Back Office,

computers for 10 years. Its software packages cater for hotels with between six and 1,500 bedrooms and prices range from £600 for an entry

level system to £3,500. Mr Clifford Springer, Avon's managing director, says that these days customers are demanding more integrated packages and sophisticated reporting so they can do budgeting and yield management, of critical importance in the fiercely competitive hotel Mr Christopher Lomax, man-

aging director of Misys' Innsite subsidiary, another UK-based PMS supplier, adds that "some hotel groups are realising that they have to use sales and marketing more." Data collected by a PMS can help this effort and most PMS packages such as Innsite's Omega accept add-on sales and marketing modules. Another large PMS supplier

is Hotel Information Systems, a specialist software group with operations on both sides of the Atlantic and customers around the world. HIS supplies a wide range of PMS products designed for all sizes of establishment.

Its flagship, Paragon Front Office PMS, which runs on IBM AS/400 computers, provides a range of tools for managing guests from reservation to check-out and integrates

Central Reservations, Yield management, Concierge and other add-on modules and

complementary products. Among its features, enables hotel operators to develop sophisticated rate structures, maintain records of previous guest visits and generate a wide range of financial and other reports. The latest generation of the product offers more than 300 interfaces including connections to pointof-sale, call accounting, mini-

el based systéms. information technology is

bar, voice mail and other

also helping to improve other aspects of hotel performance. Security is being tightened. The days of the traditional tel room key already look numbered. For instance, Sargent Systems markets a system that includes a card-producing computer, up to 16 levels of magnetic stripe keying door locks and a hand-held computer that programmes. interrogates and troubleshoots

card key is made which automatically expires at a designated date and time. Using the hand-held computer, manage ment can also track the last 120 entries for each room by date, time and by card type and serial number meaning that no-one - guest or staff - can use the lock without leaving a clear trail.

Once inside the hotel room. other IT systems monitor and control the environment. For example, Staefa Control Systems, based in Switzerland, provides a highly sophisticated automatic temperature control system which can be integrated with a front office booking system and enables the hotel to control energy

usage precisely.

Most hotels will also have an automated telephone management system. These work with a hotel's private automated branch exchange (PABX) and its PMS and some provide automatic wake-up calls in a guest's native language or enable the guest to control a hotel pay-movie video system from the room

Even the mini-bar has been automated in some hotels. One system manufactured by BoboBar provides on-line information on stock levels, sales analysis, automatic hilling and accounting audit trails for room mini-bars which can be connected to any PMS system, or work on its own.

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Tunnel will need a good start

MUCH OF the interest surrounding the opening of the Channel tunnel has focused on the competition it will offer to the ferries. Yet the most dramatic impact of the tunnel could be on business air travel between London, Paris and

If train services which run through the tunnel can emulate the success of France's high-speed trains on the Paris to Lyons route, they could corner as much as 80 per

cent of passenger journeys. initially, two services will be available through the tunnel Passenger trains operated by European Passenger Services, trading as Eurostar, will run from Waterloo to Paris Gare du Nord and Brussels Midi. At the same time, a shuttle service, known as "le shuttle", and carrying cars and lorries, will operate between terminals at Folkestone and Calais.

The shuttle service is due to start next May, beginning with two departures an hour but rising to four an hour in the peak holiday season in August. The journey will take one hour from motorway to motorway.

Travel agents do not expect large-scale business use of the shuttle service, though businessmen who use their cars to carry exhibition materials or samples are potential users.

European Passenger Services, a British Rail subsidiary, is still testing the special trains it will run on the London to Paris/Brussels route

Train services could corner as much as 80 per cent of passenger iourneys

and will say only that it expects to start operations next

The journey will take three hours to Paris and 3 hours 15 minutes to Brussels. Track improvements in France and Belgium should cut the Brussels times to 2 hours 40 minutes by 1996. The opening of the high-speed link through

hours 30 minutes and to Brussels to 2 hours 10 minutes. When the high speed link is opened, the main passenger terminus in London will move

from Waterloo to either St

Pancras or Kings Cross. Passengers who do not want to go as far as Brussels or Paris can make use of those trains which stop at Intermediate stations. These are being built at Ashford in Kent, Calais and Lille while further stations have been proposed at Ebbsfleet, near Gravesend, Rainham in Essex

and Stratford in East London. In 1995 passenger services will be extended beyond London with night services from Plymouth and Glasgow through the tunnel to the Continent. Daytime services will operate from Manchester and Edinburgh. For travellers who want to go beyond Paris and Brussels, there are existing rall connections while high-speed links are being further developed. Further high speed rail links are

planned to come into use in France in 1994-95, skirting

cut journey times to Paris to 2 Paris to link with the existing high-speed trains to Lyons and Bordeaux, and in the Netherlands and Germany in

> More than 40 trains will run in each direction every day and even at off-peak times there will be at least one train an hour, Eurotunnel says. There are also plans for overnight services linking London

A means of travel which, unlike autumn and winter airline flights, is not affected by the weather

and other cities in the UK with

continental destinations. "Once people get used to rail travel this could open up the rest of Europe," says Mr Paul Allen, chairman of the Guild of Business Travel Agents. "To my mind there is no choice when you can jump on a train, straight on with some work." The main advantage the

train can offer over air travel

pler and quicker to travel to a rail terminal in the centre of town than to an airport on the outskirts. Flying frequently involves a long journey by taxi and a wait to board the air craft. Take-off and landing delays caused by congestion at airports can also prolong a

offer regular departures which should make pre-booking unnecessary at many times of the day, though booking will probably be necessary at peak The tunnel should also offer

The tunnel rail service will

means of travel which is unaffected by the weather unlike autumn and winter airline flights which can frequently be delayed by fog and For the nervous flyer the

tunnel offers an alternative though questionnaires of whether people would use the tunnel have revealed many travellers do not welcome the prospect of a long journey in a tunnel. The time actually spent in the tunnel will vary from 23 to 27 minutes.

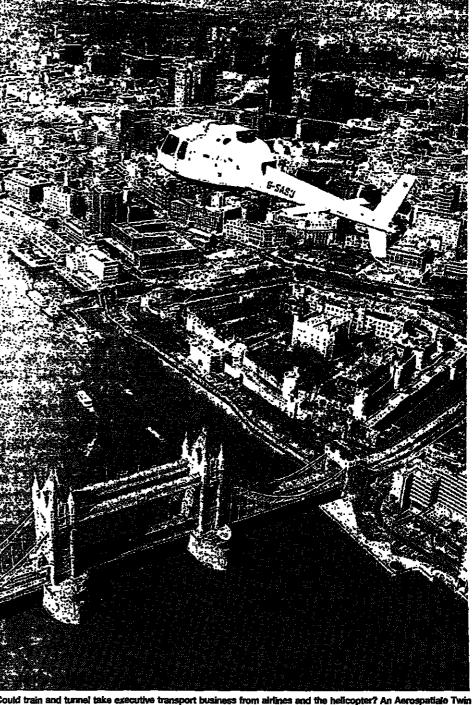
Travel agents are generally enthusiastic about the benefits which the Channel tunnel service will bring for customers. Just as the arrival of competition in airline routes in Europe has brought down prices, so the tunnel is expected to exert further pressure, says Ms Vanessa Leak, head of marketing for Thomas Cook Travel

But there are residual doubts about the delays in building a dedicated high speed link in the UK and some travellers. disillusioned with the poor commuter service provided by British Rail on some routes may need convincing that rail can be an attractive alterna-

"Our research suggests that the first few months will be crucial," says Ms Leak. "We anticipate strong initial demand because of the novelty value. But if travellers are in any way disappointed, it will be extremely difficult to win

What is not yet clear about nel travel is the price of tickets. Eurotunnel says prices will be announced in January, though it has said that the

shuttle ticket prices will be



Could train and turnel take executive transport business from airlines and the helicopter? An Aerospatiale Twin

similar to ferry prices. prices which will be competitive with the airlines. It expects to announce its fares

structure in the spring.

European Passenger Services to continue travelling by air, prevailed on the North Atlanalso bring indirect benefits. casting that the cross-Channel

routes will experience competi-

For businessmen who prefer tion similar to that which has tic air rou These have led to considerable price reductions and improvements in the quality of the ser-

COMPUTER RESERVATION SYSTEMS

Operators locked in battle

EXACTLY 40 years ago, a chance meeting took place on an American Airlines' Los Angeles to New York flight. involving two Mr Smiths. One, C.R. Smith, was American's president, the other, R. Blair Smith, was a senior sales representative for IBM.

The outcome of the conversation between the two men was a project, designated Semi-Automated Business Research Environment or Sabre. Almost a decade and \$40m later, the world's first airline computer reservation system (CRS) came

Initially, Sabre was an inter nal system which enabled American electronically to link a passenger name to a specific seat sold on an aeroplane. By Sabre's tell tions network stretched from coast to coast and from Canada. to Mexico and it was already the largest real-time commercial data processing system in

.

Since 1976, when the first Sabre terminal was installed in a travel agent's office, a handful of competing CRSs has been set up. These have evolved into extremely sophisticated marketing and distribution tools for the airlines which own them. In the process, they have reshaped the way travel is organised and helped travel agents provide a more flexible, efficient and global service to their custom-

Today CRSs are an indispensable part of the travel industry. In the US, the most mature CRS market, an estimated 95 per cent of all travel agencies are linked to at least one CRS, 88 per cent of all air-line tickets are issued through a CRS and travel agents account for 75 per cent of all

All the main CRSs now include features which enable travel agents directly to access a participating airline's own computer database and make "real time" bookings and reser-

vations. Sabre itself has more than 109,000 terminals installed in over 25,100 locations throughout 65 countries. Its high security underground computer complex in Tulsa, Oklahoma, holds details of 45m fares from 651 airlines, together with other travel data on hotels and car rental companies.



mmunications systems at Lancaster House hotel, near Lancaster versity, allow residents to communicate by fax from their bedrooms

It is the market leader in the fiercely competitive US market with about 40 per cent market share, abead of Galileo International formed earlier this year through the merger of the US Covia (Apollo) and European Galileo groups, System One, which is owned by EDS; and Worldspan, which is owned by a consortium of airlines including Delta, TWA and North-

However, Sabre has had more trouble breaking into Europe – a market which unlike the US is still growing. Amadeus - owned by Air France, Iberia Alrlines of Spain

tors to build systems spanning

the globe. The advent of global industries and large-scale interna-tional travel for both business and leisure purposes has become one of the main driving forces shaping CRS development. As travel agencies have followed their customers overseas and formed international alliances, CRSs have been forced to do the same.

"To be a successful CRS, you need to be in touch with your customers - the travel agents, says Mr Allan Loren, Galileo International's chief executive. "As they have become more

With pressures to provide a global service, many in the travel industry think, even after a flurry of recent agreements, further consolidation is likely

and Lufthansa German Airlines - is the market leader in Europe with around a 50 per cent market share according to Ovum, the UK-based technology consultancy which tracks value added network services such as CRSs in its informa-tion service, "Vans Market

As Ovum noted in a recent report: "Europe has recently seen a revolution in the CRS market, with two rival European systems (Galileo and Amadeus) replacing individual countries' reservation systems." Indeed, Europe is part of a much larger battle between the large CRS operaglobal, we have had to become more global." This, he says. was the logic behind the recently completed merger of Covia and Galileo.

The new Galileo International, which claims to be "the largest and first truly global CRS," with a 30 per cent share of the worldwide market, is owned by 11 European and US airlines, including United Airlines, British Airways, Swiss-air, KLM, USAir and Alitalia. Its Global Access product

enables travel agencies to inte-grate information from Galileo International's three separate databases, Apollo, Galileo and Gemini (the associated CRS in Canada). Using it, a Galileo-automated agency in London can retrieve a customer reservation created. by an associated agency using Apollo in Chicago and make any change required by the client en route.

However, although the merger has enabled Galileo to take advantage of such factors as economies of scale and a centralised administration and data processing structure, Mr Loren emphasises that Galileo International recognises that every region has distinct

Accordingly Galileo, like its European rival Amadeus, has been set up to work with individual national distribution

local content like rail and ferry fares and are responsible for Galileo's customer sales, service, support and training -and for feeding customer comments and local needs back to headquarters. Galileo's motto, says Mr Loren, is: "Think global, but act local". Amadeus provides its service

through locally-based National Marketing Companies (NMCs) but has also set its sights on building a global network. However, a planned partnership between Amadeus and Sabre fell apart acrimoniously in 1991 because of last-minute disagreements. Since then, Amadeus, Worldspan and Abacus, which is owned by five Asian airlines, have formed a which their respective computer reservation systems are

being interconnected. Given the pressures to provide a global service, many inside the travel industry think that, even after the recent flurry of mergers and agreements, further consolidation among the CRSs is likely. Eventually, many believe the total number of CRSs will

shrink to just two or three.

It is unlikely that any new CRSs will start up because of the huge costs involved. Charging policies vary between the CRSs. Both Sabre and Galileo charge travel agents a small sign-up fee but, once a travel agent has reached certain booking levels, the service is free and the bulk of the CRS's revenues come from the participating airlines which pay about £2.50 for each fare segment booked.

For the airlines this is a small price to pay for a highly efficient distribution system, but CRSs have another big attraction for them. Data col-lected by the CRS enables an airline to run its own sophisti cated programmes called revenue management systems (RMS) or inventory control.

These systems are designed to juggle the availability of fares in order to maximise the revenue collected by each flight – vital in a fiercely competitive deregulated market like the US or the transatlantic

The existence of such power ful marketing tools has made CRSs and their airline owners obvious targets for scrutiny by rivals and by the regulators concerned over allegations of bias in the way systems dis-play or handle data.

In Europe this led to a bitter public battle earlier this year over the passage of a new EC code of conduct governing CRSs.

However at the end of Sep tember a new code of conduct was finally agreed by the EC Council of Ministers based on a compromise which has been generally welcomed through out the industry and appears to have re-established an uneasy peace between the

Paul Taylor

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C - CONVENTION CITY

operation eastward in an effort

to tap rich opportunities. Culturally, it is a colourful area in which to do business. Most Asian nations practise their own brand of capitalism which is a mix of industrial policy and freewheeling competition. But it is also a corrupt continent. Corruption is endemic except for one nation, Singapore. It is probably at its

worst in China and Vietnam. In terms of creature comforts, however, only superlatives will do. Hotel accommodation in the region is among the best in the world and offers far better value for money than Europe due to its much lower labour costs. The exceptions to this rule are the emerging nations - Laos, Myanmar (formerly Burma), Cambodia, Vietnam and parts of China - and here you will need guidance.

Domestic flights within these embryonic countries still leave a lot to be desired, but western ioint ventures will lessen the

Head east for value and comfort discomfort and danger in time. What is absolutely essential is flight reconfirmation as overbooking is rife; do it as soon as

you enter the country. Brushes with chicanery are most commonly found with taxi drivers in Vietnam and Cambodia but less so in China. In Hanoi, it is common practice to overcharge the foreigner

It is a colourful area in which to do business, but corruption is endemic

who seeks a ride downtown in one of the minivans that sometimes double as taxis; in effect. the foreigner pays for all the locals who squeeze in after

It is a safe bet to haive whatever figure is suggested. The hour-long journey to downtown Hanoi should not excee \$15 but be warned that it will usually be in ancient and nonairconditioned vehicles. In Ho Chi Minh City, by contrast, dry cleaning and a swimming taxis are usually modern, Japanese cars but the much shorter distance – just 4½ miles – will still cost \$10, but no more.

Getting around in either the federal or commercial capital is by taxi or cyclo (bicycle taxi) but the latter are not really practical if you want to turn up at an appointment in suitable condition as they take the many potholes particularly badly. And attempts by the drivers to keep you dry during the frequent heavy rainstorms are usually pointless. Staying in Hanoi, Vietnam's

federal capital, is usually necessary on a business trip in order to get licences, contracts and the like rubber-stamped. The choice is easy as only one hotel is up to western standards. The Metropole is managed by the French-owned Pullman chain; it offers western facilitles such as direct dial telephone, air-conditioning, satellite TV channels, in-house videos, mini-bar, laundry and

pool. Rates start at \$130. The hotel also offers an airport shuttle bus.

Gillian Upton offers practical advice for getting around in south-east Asia

In Ho Chi Minh City there is more choice. The older properties with a sense of history and character, such as the Continental, Cuu Long Majestic and the Rex, are more than adequate and it is worth unerading to junior suites in each for a nominal premium rate. Deluxe rooms are around \$70 in each of these properties and suites from \$90-\$130. The two modern properties are Saigon Floating hotel (all mod cons but small rooms) and the Century Saigon on the main street. Nguyen Hue Boulevard (bookable through Utell). But they are also more expensive, at about \$150-\$175 for singles

If business takes you to Phnom Penh, Cambodia, then, like Hanoi, there is only one sensible choice, the Cambodiana on the edge of the Mekong river. It is not cheap but is the

and \$260-\$350 for suites.



The Oberoi Towers, in Bombay,

only clean, western option. Taxi rip-offs are commonplace. In China, western standards of accommodation are easier to come by, especially in Beijing and Shanghai. The country's economic boom means that booking well ahead is essential to avoid disappointment. Doing business needs patience; this is not a place to make a quick dollar. And punctuality is vital: better to turn up early

In the sprawling capital city, it is essential to choose your hotel by location if you are to avoid Beijing's notorious traffic snarls. Among those cantrally located are China World, its three-star sister property Traders, the Palace and Holiday Inn Crowne Plaza. To the north-west are the Shangri-La and ANA Beijing New Century hotels and to the north-east of the city centre - towards the embassy district and en route to the airport - are a chuster of hotels of note, namely Kempinski Beijing Lufthansa Centre. Swissotel and Sheraton. Rates range from \$120 to \$240. One locally-run hotel worth noting is the centrally-located Jianguo Beijing, where rates are around the \$100 mark.

Always allow extra time to get to appointments in Belling: traffic volume (both cars and bicycles) will infuriate you. Cab drivers often have difficulty finding your destination and few of them speak English. as cabs are cheap; from Y2 per

Telephone calls from abroad Easiest country to make calls from Country 294 46 France 42 34 Germany Singapore Netherlands

19 Hong Kong 16 Switzerland Worst country to make calls from

48 41 32

27

country was the essent to telephon from and which country was the worst Source: Executive Travel/AT&T Calling Card telephone survey, January 1997.

Have the hotel bellman write the address in Chinese and give the driver specific directions. Long journeys will not necessarily cost you a fortune km and with a minimum fare

of Y12 (£1.40). Your best transport option downtown from the airport is the notel bus. Allow around an hour for the trip and a fare of Y70. The extensive construction work on this stretch of road should now have materi. alised into an expressway linking Beijing capital airport with the town centre so the journey time should now be less than

an hour. Shanghai, China's largest industrial and commercial city. is an altogether more compac city, which makes walking the appointments viable when the traffic is at a standstill - and it

often is. The Portman Shangri-Le is the best hotel option in Shang-hai; a huge combined office, apartment and hotel complex with good western standard restaurants. The Sofitei Hyland, Hilton, JC Mandarin and Shanghai international Equatorial are also good options. The airport, some 14 km away, can be reached in 30 minutes on a good document. minutes on a good day, but allow plenty of time as the queue for taxis is often horren dous. The fare in an hotel cal is Y200 but in a taxi only Y40 Y70 (depending on whether it is a small or large taid).

THE SPREAD of lawlessness in former eastern Europe has been well enough publicised to put every business traveller on guard, yet the great game of ripping off

the foreigner flourishes unabated. A rampant underworld has taken hold in eastern Europe since the demise of communism, taking the form of racketeering, prostitution, drugs and arms dealing and protection rings. Violence often erupts as opposing gangs fight for control. Corruption and bribery remain a

reality of everyday business life. A phenomenal haul of weaponry turns up regularly in traffic checks in Moscow, while there have been deaths on the streets of Prague as Mafia-style gangs take control of taxi stands. One taxi driver was recently murdered in the middle of the day on Wenceslas Square after a passenger had been ejected from another taxi, whose driver thought her destination was not profitable enough.

The best advice in Prague is not to use the taxi stands in the city centre - at least, not at Wenceslas or Staromestske but to ask staff in the office that you are visiting to call a taxi. In any event, always check that the taxi meter has been turned on and that it is on level 1, otherwise you will be charged twice the amount it should be. Ignore demands for a flat fare; inevitably it will be more than a metered

This is particularly so for the run-in from the airport to downtown, some 20km. It should cost no more than Kcs300-400

Why you need to be on your guard in eastern Europe

The game of ripping off the foreigner

(£7-£9). The city itself is very compact and the business district cramped into Praha 1, so most of it is walkable. Alternatively the metro provides the quickest mode of transport for longer journeys; it is clean and simple to understand. The three-line underground system is coded by colour, letters and the end-station name. A one-day, all-transport pass costs just Kcs30, a five-day Kcs100. Remember to validate the tickets in the yellow machines inside the station before you travel, otherwise you are liable to be fined.

Hotels in the city are generally soulless and impersonal, many of them being large, modern structures, such as the Atrium and Forum, which nevertheless charge western prices. Cosier in size and more stylish is the Palace (rooms from \$280) while the Inter-Continental (remember to request new rooms). Diplomat and Praha Penta are about \$50 less and offer a good standard of service. Note that there is an enormous 23 per cent tax on hotel rates.

There is also an outsize bureaucracy, so do not expect to do your business in a rush. And it is essential to take an interpreter in a country where new laws have yet to be tested.

Much the same can be said about doing business in Moscow. You need a lot of money and time, as well as a long view while the economy stabilises and the legal framework is set up. Visitors can at least stay in comfort while they wait as hotel standards in the city have improved enormously as good, privately-run botels have gradually replaced the depressing Intourist-run establishments. There are no

overcrowded. A better bet is the tramway; more comfortable still would be your own

It is not advisable to get a taxi downtown from the international airport, Sheremetyevo Two - it can cost up to \$60. Robberies and extortion are commonplace. Your hotel may provide a taxi service; better still, insist that you be collected by car by the company with which you are

Hotel standards in Moscow have improved enormously, but getting around has got progressively worse. The metro is seriously overcrowded, while taxi charges can be extortionate

bargains though; expect to pay at least \$200 a night, plus an array of extras which anywhere else would not be charged for. Some of the top hotels are the Radisson Slavyanskaya, Baltschug Kempinski, Metropol (run by Inter Continental),

Savoy. Palace and Penta. The ones to avoid are the Moskva, Izmailovo, Cosmos and Rossiya. Getting around Moscow has got progressively worse: traffic congestion has forced more people to use the metro.

which is cheap and quick but seriously

dealing. Alternatively, Wagons-lits Travel offers "meet and greet" service which includes transfers to and from the international and domestic airports, use of private car and driver, assistance with customs and immigration formalities at the domestic airport, a visa invitation letter,

sightseeing and theatre trips. Prices start from £35 for a one-way transfer. In Warsaw, foreigners are recommended to stay in the open areas of the Polish

English-Russian interpreter service and

capital, to dress down and watch their wallets. On the plus side, hotel standards are good, starting with the butler-serviced and luxurious Forte Hotel Bristol, the Warsaw Marriott (go for corner rooms for bigger bathrooms, or its executive floor). Victoria Inter-Continental or cheaper Orbis Holiday Inn. Many hotels offer airport transfers. Bureaucracy here is a problem and a Polish partner is essential to garner local sympathy.

Travelling from Ferihegy airport into Budapest, a 25-minute journey, is best done by airport bus. Buy a ticket (Ft400) in the arrivals hall and it will drop you anywhere in the city. The taxi ride is liable to be a rip-off; it should be Ft800-1,000 but drivers regularly charge twice that amount.

Choosing where to stay in the city is an altogether easier affair, though booking ahead is advisable particularly if you are visiting in spring or autumn. The Grand Hotel Corvinus Kempinski is the finest of all, followed by the Atrium Hyatt and Forum. The Gellert is also good but definitely in need of its planned refurbishment while great things are expected by end-1994 after Marriott's

redecorations at Inter-Continental are completed. Single rooms in these hotels are around the DM306 mark, although the Hilton is only

DM250. Finding suitably dedicated staff is one problem faced by foreign companies in Hungary, another is office rents that are higher than those in Vienna. Be warned

that pickpockets are a constant irritant. Berlin suffers less of the problems assoclated with emerging business destina-tions; it is boom time in the new German capital so hotel reservations need to be made well in advance. The appositelynamed Grand is situated on Unter deal Linden, the old embassy district in former east Berlin, and is perhaps the best, though some prefer the Bristol Kempinski on the Ku'damm or the Schweizerhof. Others in the top league are the Inter-Conti-nental, Grand Hotel Esplanade Berlin and the Hilton, which is located next door to

Taxis are expensive, around DM3.60 per km. But help is at hand in the form of an inexpensive and efficient mass transit network, the S-bahn train, the U-bahn underground within the city limits and the bus system. Individual tickets cost DM3. Taxis from Tegel international airport to downtown - a journey of around 30 minutes cost around DM30 in metered cabs. The 109 bus does the trip every five to 10

Gillian Upton



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photograph of airliner cabins in the old days might be for-given for thinking that life had improved little.

When the Boeing 314 flying boat was in its heyday, passengers ate at dining tables and could stand up without hitting their heads on overhead lug-

Today, business class passengers on short-haul flights are likely to find themselves crammed into space more nor-salling point o mally associated with public more leg-room.

buyers of tickets that cost thousands of pounds are forced to catnap in seats that seem to be designed so that only one position is comfortable. No position is comfortable. No carriers give to first class pas-wonder that British Airways' sengers: there are no second new arrivals lounge at Heathrow - where incoming travellers can have their clothes Virgin or Continental.

R 5 1

pressed - is so popular. Eva has extended this princi-The days of cruise liner ser-ple to the economy passengers, vice and space may have gone. when have the kind of extend-But there are still some real, ing leg rests that other carriers differences in cabin comfort to, fit only in business and first

be found between airlines.

gers really, want is space. Some airlines have taken rapid advantage of this. Virgin, Continental of the US and Eva Air of Taiwan already make a

selling point out of offering Virgin and Continental have fitted first class seats but sold them at business class prices.

They recoup some of the lost revenue by dispensing with the more overt luxuries that other helpings of Belnga caviar or Chateau Mouton-Rothschild on

turers recognise this, and the launch of a new model gives them an opportunity to add space as well as increase range and fuel efficiency.

The likes of Airbus and Boeing have introduced models which are simply bigger than their older rivals.

Airbus and Boeing have introduced models which are bigger than their older rivals

The Airbus A320 competes directly with the Boeing 737 for short-haul markets such as Western Europe, south-east Asia and domestic US. Designed in the 1980s, the A320's passenger cabin is 25

but to put them in wider seats with more headroom. It is one of the factors behind the success of Airbus and hence Boeing's \$1.5bn plan to upgrade

But Boeing's main hope for the 1990s is the long-haul 777, scheduled to enter service in

The 777 will be able to carry the 747 but more than the 767. It will be a twin-engined alternative to the new four-engined Airbus A340.

Boeing has made passenger comfort a big selling point for the 777 as it tries to persuade cash-strapped airlines to commit themselves to buying the new model.

One significant change is that the cabin floor is lower in

room because the ceiling begins to curve over their heads at a greater height above the seat, while aisle passengers have more headroom because the stowage bins are set

AIRLINE COMFORT

Space: the final frontier to cross

Boeing argues that extra headroom all-round also gives passengers the impression that there is more seat room in the 777 than there is in a 747 Jumbo jet, even though there

is not. Impressions are important in attracting the business traveller. And that most elusive of incentives to fly with a particular airline - the feeling of a pleasant surprise - should be at the top of the list of priorities when airlines serve the says Mr Chris Lane, chairman

are already spilling from first into business class cabins. There are satellite links for telephones and faxes on Singapore Airlines, live broadcasts from BBC world service radio on Cathay Pacific, with the promise of live television to come. Next year should see

Engineering marvels such as adjustable headrests with built-in speakers

keyboards attached. Virgin Atlantic, having already offered a masseuse to business class passengers, says

bling in the skies.

But these changes at best satisfy the business passenger and rarely delight them, argues Mr Lane. What is innovative now can be humdrum in six months' time.

Airlines may be beginning to recognise this. Three years ago, Japan Air Lines set its engineers the task of dreaming about a future aircraft cabin. The result was a series of

proposed engineering marvels including adjustable headrests with built-in speakers, seats that could be adjusted vertically and width-wise, computerised ordering of drinks ("enhanced with photographs") from the seat and even videos of soothing landscapes. Now the scheme, called

Romantech for romantic technology, has been shelved indef-

ering heavy investment in pas

questions being asked by air-lines executives. Can such discretionary spending be justified during the airline almost 50 years? Is it clear which of the changes would through a greater number of passengers paying higher ticket prices? Perhaps most importantly: why not eliminate risk by waiting to see which innovations work for a rival

and then simply copy them?
And therein lies the attraction of newer models of airing 777. Not only do business passengers value the extra space, but aircraft purchase programmes cannot be underrefurbishment: it can take years, and billions of dollars,

for a competitor to catch up. Of course, buying a new model of aircraft is an expensive way of creating a better product. But it is a step that can be taken by large and relatively financially healthy carriers that are already winning

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Add to this a touch of Saudi Arabia cardamon flavoured Arabic coffee with succulent dates and the discreet attentions of our cabin staff while you lie back in huxury. Ahlan Wasahlan, Welcome aboard.



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BUSINESS TRAVEL

Jim Kelly gives some hints on how to cope with a growing problem

Safety first is best advice abroad

money and protect your deal. And in rare circumstances, it can save your life. "One of our executives was

GOOD ADVICE on personal

safety can do a lot for the aver-

age business traveller it can

preserve your health, save you

involved in a hijack and found himself confronting a terrorist," recalls the head of security at a global multinational "Later he told me: 'I sud-

dealy remembered what you had said. The words DON'T STARE HIM OUT flashed before me. I dropped my eyes'." For most business travellers the dangers are more mundane - and so is the advice. The same security expert who

trained his executive in how to handle a violent hijacker has some more earthy advice for those travelling abroad. "I tell them to behave as if they are on holiday with their bank manager, their doctor, their boss and their mother-in-law." That advice, modi-

fied by the fact that 23 per cent

of all business travellers are

women, boils down to a plea for normal behaviour. But normal behaviour is not always enough. Here is a every trip is different, so think about problems that may arise and take advice before setting

 Dress down. If you don't need a business suit, then

OTHER

 Don't travel with company logos emblazoned on your briefcases, etc.

 If finance allows, stay on the executive floor if the hotel has • Go for an hotel with valet

parking and card keys.

 On-site restaurants may be useful in some cities. Never hang a "Please clean my room" sign on the door! Be guided on airlines. Think about regional tensions. If in doubt, take the national carrier

out of any country with internal probl • Try to take direct flights. Don't wear conspicuous jewellery, watches, etc.

 If you are really worried, shop around and find a business travel agent with a "meet and greet" service. • Be guided by your host. At least, give yourself time to become acclimatised before

any adventurous outings Learn something about local customs. Try to find out specific areas of national reverence, both religious and politi-

better to get one from an hotel • Try to avoid taking close-up pictures of people without their consent.

Read about your destination, especially in up-to-date newspaper coverage, prior to Do not discuss your travel

plans with strangers. When travelling to a new

"Suddenly I remembered what you'd said. The words DON'T STARE HIM OUT flashed before me. I dropped my eyes"

country for the first time, it is extremely helpful to get some kind of briefing on the kind of environment in which you are likely to have to do business.

The Foreign and Common wealth Office publishes "Dos and Don'ts" on many countries. It also gives verbal briefings on request - these may be over the telephone or in person although the Department of Trade and Industry also gives

advice on doing business

The US government also has an information system which is normally restricted to its own citizens. However, the State Department's Citizens' Emergency Centre in Washington is open to all callers and producers Travel Info Sheets on every country in the world.

by ringing Washington 647 5225. (Beware: to trigger the correct sheet the first four letters of the country must be punched out on a digital phone. On US phones ABC = 2 and so on, until PQRS = 7, TUV = 8, and WXYZ = 9). Both the Foreign Office and the US State Department information is regularly updated. You can, of course, pay for

security advice. The Control Risks Group has an information services division which publishes a Travel Security Guide, available on screen as well as in hard copy. It grades various destinations by safety category and tailors advice for the traveller.

On the principle that information improves security,

up-to-date guide books on the country of destination are helpful. More practically, consider ing the pressures on the average executive, an airport guide is the best way of getting off

on the right foot. Thomas Cook's Airports Guide International is a good example: with plenty of information on hotel services, road and rail links. Pan Books' The Flier's Hand-

On the day after the Gulf War started, some internal European flights were almost empty

book is good for the regular

The most difficult task facing a business traveller on a trip to a strange country is the need to keep a sense of proportion. On the day after the Gulf War started, for example, some internal European flights were almost empty. Some locations each world attention through headline stories which do not reflect everyday working life.

in contrast, dangerous destina-

tions can appear innocuous. The recent incidence of lethal attacks in Florida, for example, should be seen against the fact that living there is still more dangerous than visiting the state. In 1992 1.8 per cent of all homicide victims were foreigners.

As a spokesman for the Foreign and Commonwealth Office points out, the number of business travellers mugged each year abroad is "very few". Last year Britons made 31m visits overseas and there were 25 reported homicides.

Part of the problem for many business travellers from Europe and North America is that they are often moving from a "low crime" environment into a "high crime" one. Because businessmen are usually well-insured and will probably want to return home promptly, crimes in which they are the victims are less often resolved that those concerning other terrains are less often other tourists since the key witness may already be out of the country when the criminal

There is a marked trend

among business travel agents towards "partnership" with the client company and this can only improve the services offered to travellers on arrival at their destination. A good example is Wagons-lits Travel which offers a "meet and

greet service in Lagos and Moscow: and in the latter a taxi service with security cleared drivers. In the travel trade generally there is agreement that more travel information is needed Who provides it is a more difficult question. Many travel agents and airlines are wary about giving advice: they fear legal liability either by omit-ting key information or includ-

ing out-of-date or faulty advice. Business Travel World, the new trade magazine, recently canvassed the views of agents about the updating of safety information and the respons bility for providing it. The magazine concluded: ments tend to reveal that agents in continental Europe are more anxious for action than are their counterparts in

the UK. For example Mr Jan Van Steen, of BBL Travel, Brussels, secretary of the Belgian Guild of European Business Travel Agents, says: "It's not enough to read all the newspapers. On a national and international level, more exact information



KLM's business class lounge at Amsterdam's Schiphol Airport is among the largest facilities of its kind in Europe

Malta at Heathrow Airport,

London. KLM, the Dutch air-

line has its own check-in

systems in place, designed to

speed up the process.

Mr Barry Evans, KLM deputy marketing director, UK

and Ireland, says: "We hope to

keep the queueing time and

FOR THE ordinary airline A look at facilities available on the ground for those awaiting departure

How to lounge in luxury

crowds and long queues, he or she can enjoy a dizzying array of services ranging from the tical, such as access to highority desks at Thomas Cook and Travelex bureaux de tech office equipment for those who still have work in mind. change for picking up previously ordered foreign currency. There is even a special till at

Business passengers can now sit in the cloistered calm of their very own lounges. Some of them will have access to special queue-beating Fast Track systems designed to get them on their flights as quickly as possible

passenger, the airport depar-

ture lounge is often a dismal

torture. But the business trav-

eller can get away from all

Instead of noisy milling

One of these systems for first-class and business passengers is now being used by more than 65,000 travellers a month at Gatwick Airport, London. with 60 per cent of them citing it as a significant factor in their choice of airport.

At Gatwick it offers a dedi- length down for the business £500,000 business class lounge bers and their guests and the cated security channel and traveller. The high frequency at Heathrow which offers a Airport Business Centre, there s well as pri- fiver, particularly in Europe. wants to make the time spent as short as possible with later check-in or gate check-in.

"It has been said that if you run a perfect operation the traveller can't remember who he flew with! The aim is to Similar Fast Track facilities are operated by a number of make air travel smooth, effortairlines - including Virgin less and memorable." Atlantic, Air Canada and Air

At its home base at Amsterdam's Schiphol Airport, KLM has two business class lounges which between them cater for more than 300 passengers. Personal computers, printers, fax machines and access to car rental and rest and business areas are provided. Last autumn, KLM opened a

AS SOMEONE who began her business career in the 1960s

taking coach-loads of tourists

around Europe, travel has long

been part of Ms Adele Biss's

has to find her own way to

hotels in foreign cities.

and telephones and complimentary refreshments, and accommodates 95 passengers.

"Business users provide one third of our total revenue. This is important traffic which is vigorously competed for," says Mr Evans. He adds that the business customer is looking for value for money and a difference between economy and business class.

In Germany, the Frankfurt Airport Centre, directly connected to the terminal departures level, offers a variety of services for business travellers. Besides Airport Club Frankfurt, a business club for mem-

tre, which has equipment for live TV and radio broadcasts, a simultaneous interpretation system and facilities for worldwide conferences via satellite.

At New York's Kennedy Airport, individual airlines operate their own business lounges which provide facilities enabling the passenger to get on with some work or to relax.

Claiming to be the largest operators at Kennedy, Heathrow and Gatwick, Travelex foreign currency services offer airmiles on currency transactions to British Airways Executive Club and Latitude card

■ TRAVELLER'S TALE: Adele Biss talks to Michael Skapinker



Sarry Evane: hopes to keep the awab emit prisueus

Travelex operates a system which almost amounts to having currency on spend or return. Customers exchanging £300 or more can change back up to 30 per cent at the same exchange rate, commission free, for a month after the original transaction.

At Heathrow Airport, Virgin Atlantic has opened what could be described as the ultimate in loanges for the Upper Class (business class) traveller - the film Virgin Clubhouse at Terminal 3.

The accent is on luxury and there is something for just about everyone. Facilities include a health spa and preflight grooming salon offering e and aromatherapy, a library with over 5,000 books, a timber-panelled, acoustically isolated music room and a study featuring mini offices with state-of-the-art technology for those who feel the need to do some work.

Mr Stephen Ridgway, Virgin Atlantic's marketing director, says that business travellers in revenue terms are very significant in what overall is a phenomenally competitive market. He adds: "We are pushing the envelope all the time to provide a total travel experience ... to influence and control the passenger situation from the time they book the ticket

at home to the time they ge Over at Birmingham International Airport, the £60m terminal Europub has business facilities, including the opportunity to use secretarial services. Passengers with just hand baggage can also check in at either the concourse, ticket and information desks or the departure gate.

Ms Sheila Lashford, Birmingham Airport's head of external relations, says: "Eurobub is principally for husiness travellers and was designed with them in mind. The check-in time is around 35 minutes and the longest distance you have to walk is 250 metres.

"The business person wants everything to be smooth; he or she wants to develop tunnel vision, to take a path through the airport onto the flight. However, he or she still wants goods of a specific quality and amenities. A cup of coffee has to be good coffee, so we have to cater for all that."

At Heathrow a new Business Centre run by Thomas Cook has opened in the Queens Boilding between Terminals 1 and 2. It has a members lounge and facilities include telex and workstations. There is even the opportunity to take a shower before you leave. British Airways has opened

The longest distance to walk at Birmingham Airport's Eurohub is 250 metres

the doors of three new departure lounges for premium passengers at Heathrow's Termi-

Mr Michael Batt, British Airways director of marketing. says of the new "lounge pavil-ion": "Business travellers are looking for speed, space and support to do business. They have to deliver and we have to be in the position where we help them deliver."

Janina Stachura

"But I don't think the

biggest problem business-

women face when they travel

is security or loneliness. It's having to keep up appearances. We need to able to get sewing

kits. We need to be able to

have a shampoo and a blow dry before a 9.30 am

appointment.



Adele Biss, chairman of the British Tourist Authority

Hand luggage is really all you need been widely circulated since

> driver doesn't speak English, even sometimes when it's in an

"It's tremendous to see a welcoming face," she says. working life. Her subsequent career in "The first thing they do is take public relations was largely spent representing companies my luggage off me." Before she was appointed to her current in the tourist industry and travelling on their behalf. job, she says, "one of the worst things was to arrive in a city Her appointment chairman of the British Tourist and wonder how I would get to Authority last May has made one important difference to the the centre. It's uncomfortable coming tired off a flight and way she travels: she no longer getting into a taxi whose

There is always a local English-speaking country. representative of the authority Heading the drive to attract tourists to the UK involves constant travel. "It's Jo'burg at the airport to meet her. She does not have to search for a

piece of cardboard with her one week, Cumbria the next," name on it; her photograph has she says. She makes a business trip, either in the UK or her appointment and staff abroad, every 10 days or so. Although, as head of a usually recognise her. tourist authority, sightseeing is part of her job, she tries to

> Airlines have become better at looking after women travellers

keep to a minimum the

number of days she is away from home. "I'm normally travelling alone and it's time away from my family," she

Like many veteran travellers, Ms Biss keeps her luggage to a minimum. A priority of many business travellers is to avoid waiting at the baggage carousel to see if

your suitcase has successfully

completed the same journey she says. "There are the usual problems like being shown to a lousy seat in a restaurant. you have. Ms Biss says: "I can travel

for a long time on hand luggage. The trick if you are a woman is non-crease, light fabrics. I take a suit with different blouses, so that the bulk is in the suit and the variety is in the blouses." Airports and hotels do not

elp women travellers much

with their clothing, she says. There is usually an airport shop selling ties. Shops selling tights are far less common. Ms Biss says airlines have become better at looking after women travellers. She tries to travel on a UK carrier, which means she usually files British Airways. "They're quick to

help with your bags and I like

the fact that most of the cabin

crews are mixed male and female, Most hotels do not know how to look after women travellers.



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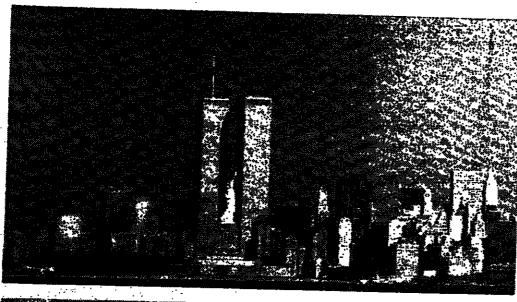
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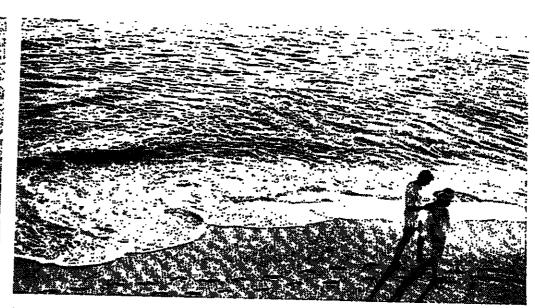
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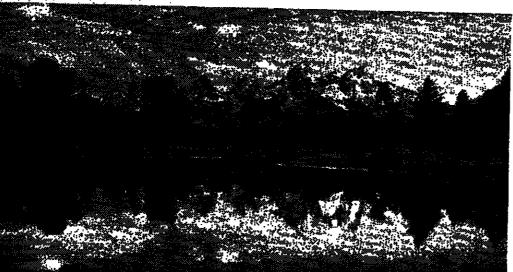
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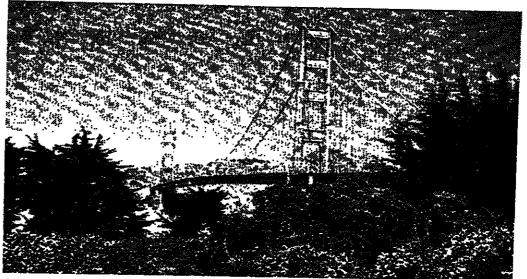
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BUSINESS TRAVEL

Some airlines offer more than others, reports Daniel Green

The class that counts in the air

NOT ALL business classes are the same. But their differences are as much a matter of style and temperament as facts and

The airlines that offer a door-to-terminal limousine service, for example, are often not the same as those which have their own airport

The reason is simple: big carriers such as British Airways simply have too many business class passengers to offer a free limousine service to them all. Small carriers, or those which may use an airport once or twice a day, find it more economic to offer a limousine service than a lounge. Cathay Pacific will drop you at your door within 40 miles of Heathrow without charge, but it does not have an executive lounge at the airport.

For business passengers who care to choose their airlines carefully, at least seven features should be take into account when choosing a

• Flight frequency. The business traveller needs to know that if that last meeting day grinds on or the traffic on the Peripherique is locked solid, there will be another flight home later.

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another carrier's ticket, but it should really be a last resort as you may have to wait at a ticket desk, pay extra and probably lose your frequent flyer benefit. • Seat pitch. The distance

between the back of one seat and the back of the next one forward can make a significant difference to comfort on long-haul routes, especially for tall passengers. Most business classes, such as those on British Airways.

American Airlines and Lufthansa, the German carrier, plump for a 40-inch seat pitch in long-haul aircraft. Air France and KLM, the Dutch airline, however, offer 38 inches or less. On some carriers, the pitch

varies between aircraft. Swissair's A310 aircraft have 36-inch seat pitches in business class, but 40 inches in Boeing

that are impossible to beat are those on carriers that sell first-class seat business class ticket holders.

links to the US, too.

business traveller.

the wider passengers. A narrow seat may feel comfortable for the first hour or two. But, as seasoned flyers know, finding another comfortable position may be hard work. Seat width depends as much

business class flyers going will find that a BA ticket will all port. If you have a ticket with China Airlines Inter-national, one of Taiwan's business travellers who fly

The best known of these are Virgin Atlantic and

Continental, the US carrier, on long haul services. But look out for Lauda air, the independent Austrian carrier run by former world champion racing driver Niki Lauda, and Eva Air, the Taiwanese carrier. Both fly between Europe and south-east Asia, and Eva has

Eva has a particularly unusual philosophy: it has a four-class aircraft. The upper deck contains first and business class, and the front of the lower deck has super economy, with seat leg-rests and some other features normally associated with business class. The idea is to appeal to the budget-conscious

• Seat width. This is important for more than just

on the aircraft type as the carrier. Seventeen inches is a typical economy seat width, 19 inches in business and 20 or Most airlines will accept more in first class. But if you are flying from Europe to south-east Asia, SAS business class seats on its Boeing 767 are only 18 inches across; on Thai, they are 21 inches across. Airport lounges are increasingly becoming business tools, places in which reading, writing, phoning and faxing can be done in relative comfort. Their importance is redoubled if you have a connecting flight and need to stay in an airport for several hours, or if your business meeting can be conducted at the airport.

The best lounges tend to be at an airline's main airport.

There are four British Airways lounges at Heathrow's terminal four alone. But from Taiwan to Hong Kong get them an old sofa in a dingy room by the public canteen at

has an extra class aimed at budget-co

carriers, your lounge would economy, grace any European airport. Some carriers will only offer lounges to first class passengers or registered frequent flyers, as with Lufthansa at New York's JFK Taipei's Chiang Kai Shek and Air France at San

economy, especially on the airport. Travellers on a short-haul routes. Their budget can make use of the choices are usually limited to any privileges conferred by membership of an airlines executive club.

Others using London's Heathrow may prefer to pay a the good of the airline as the 250 a year subscription to UK passenger. The sales pitch may travel agent Thomas Cook to

usual business class lounge facilities such as conference room, secretarial support and ● Limous

passenger. The sales pitch may be door-to-door service, but once the carrier has you on board its car, it knows you are going to turn up for the flight, that you will be on time and that you will almost certainly not switch to another carrier. No wonder that just about every long-haul airline flying out of Heathrow offers it.

The exception, British Airways, goes some way to

making up the gap for passengers bound for New York by giving away helicopter transfers to Manhattan for both first and business class carriers. Air France does the same for flights from Paris to JFK. And remember: If you are really in a hurry to get to the Big Apple, the Air France Concorde supersonic aircraft arrives in New York before RA's

make simultaneous phone calls. Or, one of them can just relax ...

• Separate check-in and priority luggage handling. Essential tools for the executive short of time, separate check-in counters and

fast luggage reclaim are standard with most airlines. A few exceptions include: no prierity-luggage handling on BA's short haul routes or any

· Airport convenience. City centre airports may be irrelevant for the executive who goes straight to the departure gate from vardant suburbia, but arriving at the other end with an easy transfer downtown can be a boon. For this reason, London's City airport is more popular with incoming executives than their

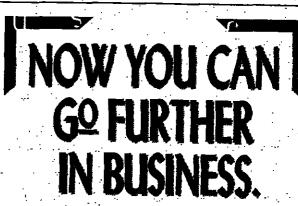
London-based competitors.
The US is the home of the convenient airport: visitors to the Bay area of northern California, for example, can choose from San Jose, Oakland and San Francisco International. Oakland is the closest to San Francisco's financial

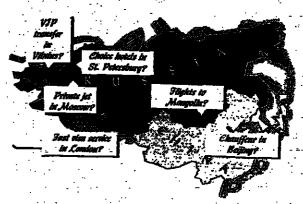
At the other end of the state, you can choose to arrive at LA International, Orange County (for Disneyland), Long Beach and several others.

Taking such considerations seriously may cost you more money for your ticket. But recognise the selling power of factors such as flight frequency and lounges. Expect them to step up their sales campaigns as economic recovery takes hold.

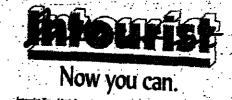








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Rules of the frequent flyers' game

THERE ARE so many frequent flyer programmes (FFPs) on offer to the airline passenger that it is easy to get the impression that carriers are falling over themselves to give away free flights in an effort to

drum up business In practice, some airlines are more generous than others and how much you gain from buying a ticket will also depend on where you live and what time of year it is.

An address in the US will confer more points-earning power than one in Europe or Asia. A US resident can earn rewards from frequent flyer schemes on just about any ticket, even at deeply discounted prices. The rest of the world usually has to buy a full-price ticket to benefit. A BA passenger living in the US who buys a discounted economy fare ticket from San Francisco to London, for example, will earn FFP points. The buyer of the same priced ticket bought by a UK resident flying from London to San

Francisco will not. The reason for discrepancy lies in the history and evolution of FFPs. They were born and raised in the US during the 1980s as a means of creating and maintaining loyalty to a single airline or group of airlines.

The principle is that the buyer of a ticket earns points which can be accumulated and eventually exchanged for free flights or other benefits.

Over the last decade, airlines have joined forces with other companies in the travel industry and points can now be earned by staying in hotels, using car rental firms, and buying things with certain credit cards. The awards can include upgrades to business or first class on aircraft, holiday weekends and even hot-air balloon trips.

The scope of FFPs has been extended to help airlines fill aircraft at slack times. For most of the 1980s, changed the rules to limit the



launched its Textjet - a motorcycle chauffeur service, which will take Upper Class passengers from London to Heathrow. There is a portable phone, the leather seats are heated and weather-proof clothing is provided.

airlines outside the US watched the growth of FFPs with a mixture of disdain and fear. There was disdain because they seemed to be a fad unconnected with service quality and more associated with savings-stamp schemes once used to persuade motorists to buy petrol. But there was also fear because the

The programmes' scope has been extended to help airlines fill aircraft at slack times

US airlines were both demonstrating the effectiveness of the schemes and racking up huge liabilities in flights owed to passengers. When, in the 1990s, European and Asian carriers were finally forced into the game, they

give-aways: hence the variety of schemes under which tickets can earn points.

Logic, as well as fear, prompted the rule changes. The goal for any airline is to attract the regular business passenger, not the penny-pinching leisure traveller who flies once a year. FFPs have shown themselves

to be effective in capturing business traffic. This month's survey by Official Airline Guides of European business travellers shows that 70 per cent said that, given a choice of carriers on a route, they would choose the one to which their FFP belonged. UK residents were the most swayed, with 74 per cent saying it would determine

But the leisure traveller is at least as much swayed by simple price discounting, argue

"It is not commercially viable to offer miles on the low cost fares. It is not worth doing it if it can possibly be avoided," says Ms Sue Moore, BA's general manager, relationship marketing. Cut-throat competition pushed US carriers into using FFPs to compete even for discount

Holders of BA's blue-grey cards have the option of being met at airports

ticket sales and BA has

reluctantly joined in for the US Late arrivals in the FFP

business such as BA, Air France and Lufthansa have also improved on the US experience by imposing deadlines for the time by which accumulated points

must be cashed in. This once again favours frequent enough to earn free flights quickly.

By targeting the FFPs at regular business customers. the airlines have generated some useful spin-offs.

Members of FFPs have their flying habits tracked. The more a passenger spends with a particular airline, the more the passenger is likely to be the target of marketing drives and market research.

British Airways, for example. has four levels of frequent flyer membership. New recruits are at the blue level, with a few benefits such as priority on a waiting list for overbooked aircraft. The next two levels are silver and gold, which provide higher waiting list priorities, access to executive lounges and free travel insurance, for example.

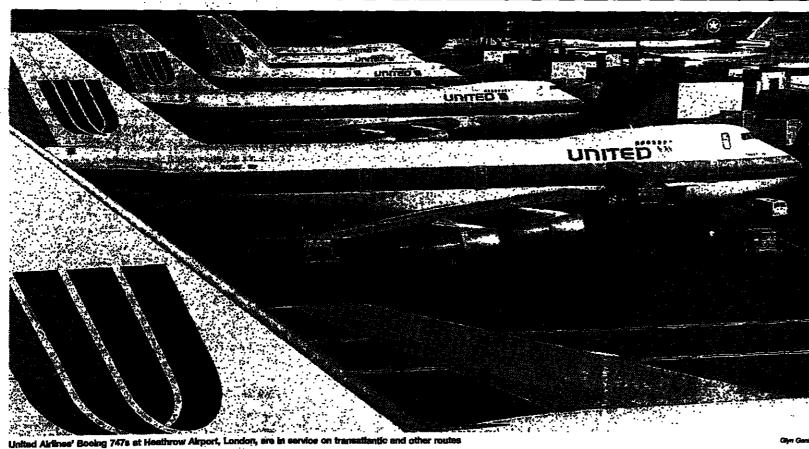


of about 1,000 holders of a blue-grey card who include BA's most important customers: chairmen, chief executives and finance directors responsible for spending at least £1m a year with BA. They have all the benefits of

a gold-tier member plus the option of being met at airports and personally ushered through the airport. Customer service staff single them out for individual attention.

The FFP is now one of the most important weapons in the airlines' armoury. There are

members in the US alone Those numbers seem destined over the next few years as European and Asian carriers join in. If FFPs are a fad, it will be a long time before they are



■ AIRLINE SERVICE

Passengers would rather go to sleep

kinds of airline service: the amiability of a Qantas or Vir-gin Atlantic, the formality of a British Airways or Lufthansa, the deference of a Singapore Airlines or Cathay Pacific and the surliness of just about any US domestic carrier.

The comparisons are, course, slightly unfair. The US domestic market is dominated by bruising price wars. The drive to save a few more dollars on the ticket cuts the numbers and wages of cabin crew. Add to that the damage to morale engendered by an airline on the verge of bankruptcy, and it is easy to sympathise. In theory.

In practice, the business traveller has got plenty on his her mind, too: it is a rare employer who is prepared to spend thousands of pounds sending someone on a trip without demanding rapid and

will have in its charge a more demanding customer than in

concrete results. More than that, the airline

recent years. He or she is a survivor of corporate cost-cut-ting, someone who is probably overworked for whom a few hours on board an aircraft should be a haven of peace, an opportunity to recharge the

The job of the airline, then, is to deliver passengers to their destination in as good as, or better, condition than it took them on board. It is a task that can involve everything from the meal menu to headphones and how

staff deal with a complaint. But according to Mr Chris Lane, chairman of management consultancy TMI, many airlines' response to this imperative is to pile on the techno-gadgets. From seatback televisions offering eight tracks of entertainment to check in by mobile telephone before you get to the airport, the business passenger is regaled with technology.

Yet the real struggle that taces the airlines, says Mr Lane, is how to improve the "soft" aspects of service. How do they make the customer feel like an individual, create a relaxed yet reassuring atmo-sphere, and deal with com-

plaints and mishaps? Ms Sue Moore, BA's general manager, relationship marketing, agrees: "The core of being different in the airline business is customer service." Such sentiments are easy to

proclaim and difficult to realise: it is simple to install a new piece of hardware, much trickier to find a way to delight the passenger with the human

One method being introduced by BA is its decision to for delayed passengers. Ground staff now have the authority to send flowers or wine to a passenger's spouse if a delay means that an anniversary celebration is missed.

As well as being a winning way with passengers, the strategy is cost-effective, says Ms Moore. "They are low value items compared with paying

The idea came from BA's programme of consultation with managers and customers. The airline holds seminars to which members of its Executive Club, the frequent flyer programme, are invited. The seminars have produced most of the service changes at BA in the last 18 months.

These include the sleeper service in which passengers on a short overnight flight of less an nine hours can be fed or the ground to maximise the they have to sleep. The idea has already been copied by other airlines.

Another result of the seminars, BA's Well-Being In The Air programme, has also been copied. It is a health regime that suggests exercises for pas-sengers while they travel and offers menus of low fat, high-fi-

An awareness of health issues has spilled over into the centrepiece of airborne service: catering. Most large carriers now offer light meals as well

It is simple to install a new piece of hardware, much trickier to find a way to delight the passenger with the human touch

as the more traditional rich meats and cheeses But sometimes the emphasi

on health can go too far, as at United Airlines, the second big-gest US carrier. Last year we went heavily into earthy foods like lentils and beans," says Mr Len Sacchitello, manager of worldwide catering at United. This time around, we are hearing from flight attendants and direct calls from customers that these ingredients don't belong in the first-class cabin."

The speed of response at United to such complaints has improved in the last two years through computerisation of "flight attendant feedback", says Mr Sacchitello. Flight attendants can record customer requests or complaints on computer terminals when

the aircraft lands. The scheme has already led to the English tea service including scones and clotted cream - being extended from first and business class to economy on its US-bound flights from the UK.

But passenger feedback can produce different findings in different carriers. United remains resolutely formal in



first class. When menus are proposed by the airline's consultant chefs, for example, cabin crew representatives still test them to decide whether they can be distributed by "silver service", someone holding a fork and a spoon in one

Other airlines eschew such formalities. Virgin Atlantic says that crews are encouraged to express their personalities. to respond appropriately to different kinds of passenger. The idea is to generate a sensation of personal attention for the passenger. It is a strategy that has led to the employment of eight beauty therapists who

travel on many flights between London and New York and Los

The airlines lay great store in these niceties of service. But does does the regular business traveller take much notice? A survey published last week by Official Airlines Guides, a publisher of airline timetables,

gives conflicting evidence. Among business travellers, it says, eating is the second most popular pastime on a long-haul

But it is beaten in the popularity stakes by the desire for a good, long sleep.

Daniel Green



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Seamless service will cut waiting

IT MIGHT not be exactly a bargain basement sale, but for the cost-conscious business customer looking for a good car rental deal there is everything to play for in a fiercely competitive industry.

This is a sector in which it probably costs less to hire a car than it does to rent a dinner suit for the evening. It is dominated in the UK business arena by six big league players Avis, Europear Inter-rent, Hertz, Budget and Eurodollar.

The big boys have not shown to be wanting in an industry which has not avoided the bruising effects of recession as companies looking to cut costs have limited business travel.

For the big corporate customer hiring a luxury Mer-cedes to the one-man band business person on a tight budget, all that is required is a little shopping around.

Broadly speaking, the business car rental market is divided into domestic and international with three seg-ments - the independent business traveller, small businesses and corporate customers - and special deals can be negotiated within each to suit individual requirements.

Mr Neil Summerville, Budget's vice-president of franchise operations, says: "In general, we have done our selling to most of the major business users. They have a pre-arranged deal before they get to

"Independent business users can benefit from our all-inclusive programme - there is something for them as well even though they don't have the buying power of some big



es of Hertz UK: not a



Rates cover more than rental. Additions offer anything from unlimited mileage and loss damage waiver to 24hour cover by a motoring organisation in case of break-

Avis has a customer travel magazine with information varying from a guide to the

dashboard of the particular car that you are driving to city and route maps.

Hertz has an "en route" service for some customers which includes driving directions, medical and legal help. regional tourist information and even weather and traffic

Mr Stephen Jones, Hertz UK marketing director, says that the recession has served artificially to depress prices. "Consequently we don't have a lot of scope in pricing terms and are seeking to be competitive in service terms, offering value-added services which are different from other compa-

He says there has been a move toward what he describes as the integrated service concent with combined packages involving car rental companies, airlines and hoteliers. Alliances have been forged with airlines to offer a wide

to car rental to customers. Hertz UK, for example, has teamed up with British Airways to offer customers services ranging from the oppor-tunity to get a free flight by collecting airmiles to their very own BA check-in counter at Hertz in Heathrow Airport.

variety of services in addition

Avis has partnerships with nore than a dozen airlines, including British Midland and Virgin Atlantic, to offer customers "that little bit extra". They can earn points towards airmiles, win an African safari or try a spot of ballooning. Mr Dale Morley, Avis UK

director of sales and marketing, says links with airlines' loyalty programmes provide a range of benefits for passengers and have proved successful in the US.

Avis has close ties with British Midland and Virgin. "Across Europe there has been an increase in penetration of customers quoting loyalty pro-grammes when they rent with " says Mr Morley.

"For the business traveller who has to make the journey



The Hertz gold service being used by customers at Heatterow sirport, London, to pick up and (right) return a cas

anyway, it is attractive to find that he or she can earn airmiles not only from the airline but also from the car rental company and an affiliated

New technology has meant you can arrive at a location, see your name on an indicator board and just pick up your

car without even having to see a piece of paper, let alone sign

This seamless service has been made possible by specialist systems which are seen by industry watchers to be the key to future success in the

BUSINESS TRAVEL, after

buildings and salaries, now

ranks as the third largest cost

facing most companies. In

continental Europe it accounts

for 4.8 per cent of costs, while

in the UK it takes a solid 6 per



Sibn in a system whose heart is in the US. Known as Wizard, it has integrated reservation; rental and billing systems in the US, Canada, Australia,

New Zealand and Europe. Mr Moriey says: Nobody wants to wait for a car year long the business renter wants to get into the car and drive

Jim Kelly finds that companies are starting to

take a more professional attitude to costs

Agents can lead

to travel savings

is to wait at a car rental counter. As an all-service pro-

He sees a the shility to turn it into service benefits and seamless ser vice as the way ahead for the

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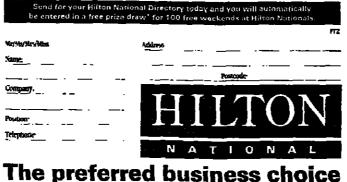
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an average \$1.500 per employee on travel. Nearly two-thirds of all companies have a written travel policy. One in five companies has recently switched travel agent, prompted by better prices elsewhere or poor Though 38 per cent did have a "travel manager", the job was largely left to office secretaries. Nearly three-quarters had an appointed travel agent. in France, Germany and the

while most companies expressed the traditional needs from T&E, of securing a comfortable reliable service, there was a growing interest in maximising travel repates and reducing expenditure - especially in France and the UK.

"In general, the 1993 report reveals an increasingly professional attitude to the management of business travel and related expenses within European companies, together with a more intensive pursuit of value for money in the whole

ment showed that overall

spend was set to increase,

resulting in more travellers in

Many medium to large com-

panies now believe business

travel agents can deliver

savings, cut bureaucracy, and help mould an efficient travel

while downgrading continues

The need to cut those costs area of T&E," says American in a recession, combined with Within the UK nearly 70 per cent of companies have an increasingly global economy, has led many comrecently taken initiatives to panies to seek the services of a control T&E spending one in 10 had an "implant" desk of the professional business travel travel agent on the premises. The business travel and Three-quarters have at least

one appointed travel agent. expense management industry, or T&E as it has become However, the report notes that: known, has responded through "It is still normal for individthe concept of "partnership" ual travellers or their secrewith its clients. Annual taries to make the travel European expenditure for the The T&E business appears to industry is now estimated at \$141bn. be growing again, at least in the UK. A recent survey by the

The shape of the T&E market in Europe illustrates the pressures which have made University of Surrey and Thomas Cook Travel Managemost large companies decide

Nearly two-thirds of all companies have a

written travel policy, and one in five has recently switched travel agent

policy from within the comthat they need some form of outside help in cutting travel But how to choose one? If you have a large business it is best to invite bids after decid-American Express, one of the ing exactly what you want principal players, recently published a survey of T&E in them to deliver. Today in T&E the agent can offer services Europe based on phone interviews with 15,000 companies ranging from getting your air-craft tickets to pledging to cut your costs from inside the busiand 3,500 personal interviews. Companies were chosen from a

the air.

range of sectors and had to Where to start? The Guild of have 10 employees who regu-Business Travel Agents pro-vides a "good-housekeeping" larly travelled on business. The results illustrate a volatile and competitive marketplace. seal of approval and has 37 The survey concluded: "Europe members with a combined turnover of £3.86bn - about 60 now ranks as the foremost business travel market in the world." per cent of which is in T&R and the rest in leisure. The In Europe companies spend Guild of European Business Travel Agents is expanding and members have a combined turnover of \$10.6bn.

Both guilds produce profile booklets. Membership in the UK ranges from the big multiple travel agents with specialist skills in T&E, such as Thomas Cook and Hogy Robinson, to the major inde including Ayscough Travel and Gray Dawes Travel. The guild's members account for 75 per cent of business house air traffic booked through agents. UK the level of satisfaction

with T&E was seen to be drop-Mr David Reynolds, secretary of the GRTA, says that many more smaller companies are now realising the benefits of T&E: "They don't want to get stuck in a queue behind someone who can't make up his or her mind about a holiday in Majorca." He also sees an emphasis on professional

qualifications: guild members now have 800 staff with City and Guild qualifications and 50 in T&E will be offered at Brighton University.

An example from the inde-pendent sector and one of the big miditiples shows how far Tak has come in edging closer many companies.

Mr David Whittaker, joint chairman and managing director-of The Travel Company, a T&E specialist, and a director of Talking Point, a subsidiary specialising in conference and incentive events, is proud of the corporate "partnership" which has been struck with SmithKline Beecham.

For three months after the T&E deal was signed, there were daily meetings with the clients. The Travel Compan has 30 dedicated staff with SmithKline Beecham. The present spend on T&E through

Companies "don't want to get stuck in a queue behind someone who can't make up his mind on a holiday in Majorca"

The Travel Company is £15m a year. The company boasts state of the art technology and offers software which can allocate rebates and basic money savings to individual management groups within the com-pany - a powerful tool for driv-ing incentive-based efficiency. "It works like a dream," says

Mr Whittaker. Thomas Cook, one of the ding multiples with specialist skills in travel management, claims it was the first agency to take the partnership principle seriously. It has over 40 travel management centres in the UK and more than 80 implanted locations in compa-

Rank Xerox is one compa served by Thomas Cook Travel Management. It records a total air fares saving since employ-ing TCTM of £4m for UK-based staff. Booking errors fell by 2

Thomas Cook says that part-nership cuts both internal and external costs, improves quality, improves strategic advantage and generates growth for both parties. Services are also tailored for smaller companies. Mr Bill Kirkwood, director of sales and marketing, says "Thomas Cook Travel Management has signed 230m worth of new business from the smaller

market over the last year. "Our price guarantee, Fair Fares, was one of the key factors in gaining this level of

Small hotels can often fit the bill

SOME world-weary business travellers appear to be deserting the big, impersonal hotel chains for smaller, cosier counterparts that offer more personalised service.

In the main, the companies with huge volumes of business are staying loyal to the big, international hotel chains because of their preferential rates (small hotels generally do not offer corporate rates), and ease of booking through one-mumber reservations for world-wide coverage.

But for frequent independent travellers, those with an eye on costs or with a smaller travel budget and therefore less buying muscle, these small hotels fit the bill. Your custom would represent a substantial portion of business for a 50-room hotel and therefore you would be a name and not a number in such an establishment.

Rates hover in the £120 to £130 price bracket a night, compared with a larger hotel charging around £200 a night, no small saving over a couple of nights' stay. While corporate rates are not always openly disclosed, some small hotels offer "special arrangements" on volume of bed nights. That

enables individuals or companies to trade down in a surreptitious way, as it will be seen as "moving across" more than anything

anything.

Such "boutique" or "town-house" hotels, as they are sometimes known, have up until now been exclusively found in Europe but the concept is spreading much farther afield now.

Women business travellers feel more comfortable in smaller establishments

Central London boasts more than a dozen such establishments, all claiming to offer the recognition, service levels and ambience in a 50-room-or-less property that is often lacking in hotels with over 250 guest bedrooms.

One experienced traveller's comment: "It's home from home" sums up the general reaction to these smaller hotels. They are proving particularly attractive to women business travellers, who feel more comfortable in smaller

establishments, many of which are managed by women. Of course, these smaller

Of course, these smaller hotels may lack an enormous lobby, a business centre, health club and the choice of half a dozen food and beverage outlets, but personal service makes up for many of the so-called shortcomings.

London's oldest, small hotel is probably the Capital, its 1970s facade in Basil Street. Knightsbridge, giving no clue to its more tasteful interior. It has only 48 rooms, a bar and restaurant, and a thoroughly good concierge. It is one of the more expensive small hotels; single prome state from 1981.

single rooms start from £184.

Much cheaper is the Egerton House (singles from £110 plus VAT) in Egerton Terrace, Knightsbridge, which offers 30 bedrooms. While there is no bar (only a breakfast room), guests can serve themselves from a drinks cabinet.

Smaller still is the Fenja with just 14 rooms (no restaurant) in Cadogan Gardens, Knightsbridge, and with rooms costing from £130. No bar, again, but each room is stocked with decanters of spirits together with mixers and soft drinks.

Still in Knightsbridge, rates at the 28-roomed Beaufort (Beaufort Cardens) start at £115. There is no restaurant but a 24-hour self-service bar adjacent to the drawing room.

Lack of a restaurant at 22 Jermyn Street (comprising 13 suites and five studios) has been overcome by the nearby restaurant, Green's, offering dinner in your room from its elaborate menu. The hotel does, however, serve breakfast and has a 24-hour room service

menu. Rooms start from £145.
Outside London, there are also some good small hotels. The 40-bed Old Parsonage in Oxford, Etrop Grange in Manchester, 42 The Calls in Leeds and 1 Devonshire Gardens in Glasgow all come to mind.

Across the Channel, Brussels has had its own boutique hotel, the Stanhope, for two years. Some 50 rooms have been shaped from a terrace of three period houses on the western side of the EC capital and decorated like an English country house, with much trompe-l'oeil and swathes of fabric in evidence. The hotel has two boardrooms and fax machines are available on request. Rates are from BFr9,500 for a single.

Similar in style is the Montgomery. Breakfast is the only regular meal served but room service is available around the clock, in guest bedrooms or in the library. Each bedroom comes equipped with a fax

machine. Rates from BFr9,000.

A townhouse-style property has turned up in Singapore in stark contrast to the modern glass and steel skyscraper

The townhouse hotel sector in the UK may have grown 300 per cent in the past three years

hotels for which the island state is known. The Duxton is a 50-room hotel built from eight trading houses and located near the Tanjong Pagar metro. There is no business centre, pool or garden, but a French restaurant, bar, pavement cafe, secretarial services and airport car transfer make up for them. Standard rooms start at \$\$230 and are bookable through TRI Hotel Marketing.

Mr Colin Rainbow, commer-

cial director of pan-European

travel agency chain Wagons-

hts, says that such hotels will "inevitably give you a more personal service. It's a big difference from being number 42 in line at the Hilton in New York with 18 check-in desks."

York with 18 check-in desks."
Nonetheless, industry observers believe the townhouse hotel sector in the UK has grown 300 per cent over the past three years, albeit from a very small base. "The hotel market is being redlvided and the big hotels are finding it difficult," claims Mr Nigel Massey, managing director of the Massey Partnership, a marketing and public relations agency which specialises in

small, privately-owned hotels.
"The Franklin ran at 84 per cent occupancy in its first year, the Old Parsonage at 75 per cent," says Mr Massey.
"They represent a return to traditional hotelkeeping, where bookers can talk to the owner of the hotel"

The big chains do have their own, smaller "hotel within hotel" in the shape of their executive floors, with separate entrance, check-in, lounge, complimentary breakfast and canapés. These go some way to redress the balance between large and small hotels.

■ TRAVELLER'S TALE: David Munns talks to Michael Skapinker

Maxims that should be obeyed

MR David Munns has visited apan three times this year and Australia twice. He has been to Philadelphia, Los Angeles, Nashville, Miami and New York. He has just spent seven days in Spain, Holland and France.

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Mr Munns, in charge of the marketing of pop music at PolyGram international, the London-based recording company, estimates he spends between 30 and 40 per cent of

his time travelling.
He has only had one frightening flight, when the aeroplane could not land in Nashville because of a storm. He
has never been mugged. He
has lost his luggage only once.
He puts not being mugged

learns his way round the cities he visits and he never walks down dark alleys.

Losing his linggage was the result of disobeying two of his travel maxims. The first is to reduce the stress of travelling by always using the same atrline - British Airways in his case. When he lost his luggage, he was flying to Ball with Garuda, the Indonesian state air-

His second rule, broken on that occasion, is to travel with hand luggage only. Mr Munns reckons he can live out of a carry-on hag for 10 days.

Another means of reducing stress is always to use the same car firm to take him to Heathrow's Terminal Four. The drivers know him and his routine. The firm is near his home and the cars do not get

lost in the traffic.

Somewhat inconsistently, he does not like having a driver meet him when he arrives at his destination. Looking out

It is irritating to have to look out for a sign with a name on it when arriving at one's

destination

for a sign with his name on it is irritating, he says. He prefers to hop in a taxi, except in Tokyo, where the airport is too far from the city centre. There,

he uses a driver. He tries not to work on aeroplanes, or at least not the sort of work one does with pen, paper or laptop computer. "I will take something along if I've got to do it, but I don't store up things to take along,"

Instead, he does work of the more relaxing sort. As a senior executive of a recording company which has ambitions in the film business, he watches the in-flight movie and listens to music on his Walkman.

He eats a full meal before he gets on a flight. He does not like to wait, stomach rumbling, for the airline meal to arrive.

He flies first class on long flights and if he is travelling overnight. Otherwise, he goes business class. He flies from London to New York business

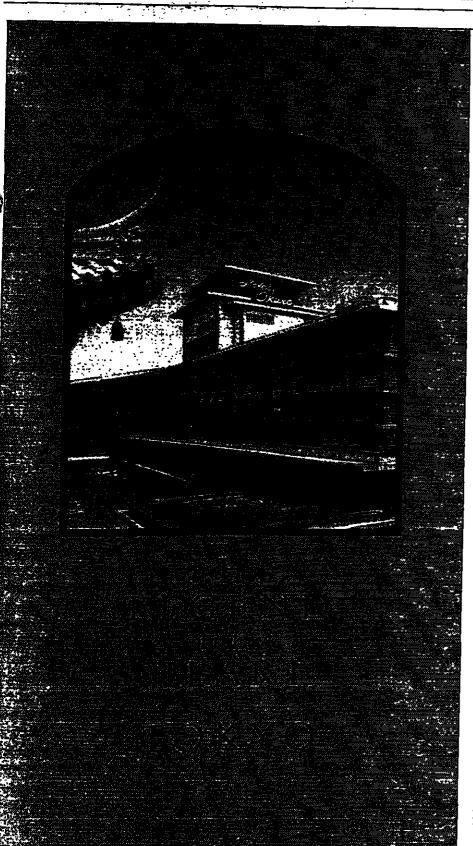
class because it is a day-time flight. He flies back to London first class because it is a night flight and he can get some

sleep.
Jet lag worries him less than it used to, but he has not entirely conquered it. Nevertheless, he likes to start working the moment he arrives, rather than giving himself time to recover.

He tries to visit cities when one of PolyGram's artists is performing there. He stays in the same hotel as the performer. He is thinking about making greater use of video conferencing, but in the music business there is no real substitute for watching artists perform live and talking to them face-to-face, he says.



David Munns of PolyGram, who estimates he spends more than 30 per cent of his time travelling



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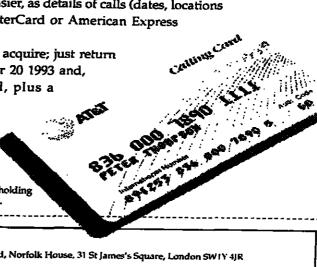
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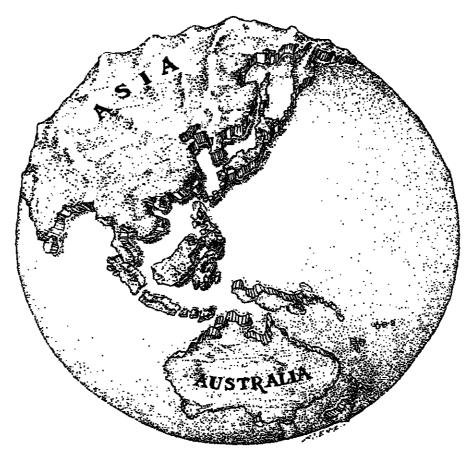
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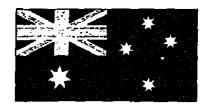


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Y A curious quirk of fate, Australia secured the 2000 Olympic Games exactly 10 years after Alan Bond, the Perth-based businessman, won the America's Cup. Was this, local commentators wondered, a favourable omen?

For many Australians, the America's Cup triumph is still a glorious memory. Not only did a nation prone to viewing Not only the a nation prone to viewing itself as an appendage on the edge of the world fake on the best and win, but the yachting victory against the Yanks seemed to usher in an era when Australian businessmen strode the world stage and prosperity rained down.

True, this golden age ended - less than

a decade later - in overstretched balance sheets and a rash of bankruptcies. But already there is speculation that Australia's latest sporting prize could mark a similar uprush of confidence. similar uprush of confidence and herald a second economic renaissance

In reality, this seems too optimistic. Many changes are being wrought in Aris-tralia at present, both on the cultural and economic fronts, but they are of a far more fundamental nature than a lot of easy bank lending. As a result, they are also more complex and contentious. A very different nation may emerge at the end of the day - probably more competitive, and cer-tainly more diverse. But there is no sign that the transformation process is about to

Australia's trade relations are a case in point. Australia started to throw its lot in with the Asia-Pacific region almost two decades ago, but the strategy has accelerated in recent years, first under Bob Hawke's Labor government, and then under his successor, Paul Keating Today, the pro-Asia policy cuts across party political lines and, given the growth potential of that region, is generally judged astute. But the pace and manner in which the "new order" is blended with the older. Euro-can-

tric ties still prompts debate.

Australia's decision to "opt into Asia"
was always a hard-headed one, driven more by economic necessity than philosophical ruminations.

When established trading partners -Britain, in particular - started to concentrate on their internal European market, and the US began moving towards a North American "free trade" block, Australia was forced to think long and hard about its own position.

As Mr Keating has pointed out, his country was fortunate to find the Asian doors still open. "Twenty years ago, Australia had a White Australia policy (discriminating against Asian immigrants)," he has noted. "In the event, we were very lucky not to be marginalised in the Asia-Pacific region."

Today, politicians and trade mission leaders like to recall that 60 per cent of Australia's trade is conducted in

INTERNATIONAL tourism has

emerged from near obscurity to

become one of Australia's fastest

growing industries in the past

decade, but it heads towards 1994 in a state of dichotomy. Although the

industry is one of the few defying world recession with solid growth

rates, tourism remains hazardous

ground for investors. writes BRUCE

This reflects a "two-speed"

growth record in the past decade

which has left substantial imbal-

ances in infrastructure, sapped con-

fidence and increased the perceived

risk of tourism investment. But

there are signs, boosted by Sydney's

successful bid to host the 2000

Olympics, that tourism is set for a

International tourism burst on to

an unsuspecting Australia amid the

financial boom of the mid 1980s,

with overseas visits jumping nearly

200 per cent to 2.25m in the half decade to 1988. Figures just released

confirm that growth in the half

decade since has been a more mod-

est 28 per cent for visits of just

This growth volatility has left

some bad investment decisions in

its wake. Real estate estimates sug-

gest that almost 10 per cent of the

nation's three, four and five star

accommodation properties are now

either in receivership or under the

administration of their banks. That

is almost 70 properties, covering

about 10,000 rooms - enough to give

under 2.8m in 1992-93.

period of accelerated new growth.

JACQUES.



New hopes on the horizon

Asia-Pacific, compared with about one-quarter 30 years ago, and that eight of the country's top dozen export markets lie in this area. This is true, although it is should be added that Japan still dominates the picture. In the year to end-June, the Japanese took a helty 25 per cent of Australia's total exports, almost double that of the Asean nations (Singapore, Malaysia, Philippines, Thailand, Brunei

Australia's salesmen have to work harder to dispel the notion that their country acts as the region's "farm and quarry", supplying raw agricultural and commodity products which neighbours with cheaper labour then convert into manufactured items.

In reality, about 61 per cent of the A\$60bn annual exports take the form of manufactured goods. Of this, perhaps one-third are "higher-valued added" items. That is a marked improvement on the 11.5 per cent share taken by more sophisticated manufactures back in 1986-87, although no one seems keen to predict how much further the trend may go. "People are loath to nail a number to

The capture of the 2000 Olympics Games is helping to keep Australians smiling during a bout of painful restructuring, says Nikki Tait

inflows, and a very different picture emerges. Here, Australia's "old partners" - the US and the UK - still dominate, supplying over 60 per cent of new foreign capital ploughed into Australia in the 12 months to end-June. Japan, until it fell on hard times, was also prominent. Asean countries, by contrast, accounted for less than two per cent of total foreign investment in Australia at mid-1993.

So, when it comes to pleading for investment dollars, state government agencies suddenly remember their former heritage - and sing the virtues of Australia's clement environment, Western-style facilities, trained labour

The worry, then, for some Australians is that emphasis on Asian links could risk

the mast," says Steve Prytz, at the Australian Manufacturing Council.

But glance at the nation's investment demoting older ties, which still have a good deal to offer.

"East Asia is extremely important, but

so also are Europe and North America," remarked Professor Robert O'Neill, the Australian-born director of London's International Institute for Strategic Studies, in a recent public lecture.

E said: "The economic prospects offered by East Asia are indeed impressive, but it remains a politically weak area. Even in terms of economic relations, Australia may find that it is increasingly on a playing field which slopes uphill."

If foreign relations are a delicate balancing act, moves to loosen the historically-protected Australian economy have produced more acute tensions. Steady privatisation of government-owned enterprises and the use of competition to

promote efficiency have been keystones in recent government policy. In a country where one person in four still works for the public sector, this, too, is broadly applauded.

But dogma has sometimes ridden roughshod over common sense and the limitations of a small population base. Attempts to deregulate Australia's domestic airline industry, for example, prompted only one new carrier to take to the skies. It subsequently collapsed, twice, within three years.

In the media sector, an auction system which was supposed to distribute licences to operate satellite pay-TV led to high but speculative bids from a couple of start-up companies. They were duly declared winners - only for the authorities to discover that cash, at the promised levels, was not forthcoming.

More seriously, the quest for efficiency has created social hurdles. On the one hand, recession and the need to restore balance sheets has prompted many companies to streamline activities by asset disposals, plant closures and the like. There is nothing uniquely Australian

about this; a similar response has occurred in most Western economies in the face of sluggish demand. And, as in the US, there is every sign that corporate profitability is beginning to benefit from the catharsis.

But Australia is also committed to a big reduction in its tariff barriers by the year 2000, which is essential if the country is to join the Asian party. This, in turn, has prompted some multinationals to rethink the economics of manufacturing locally. Last July, for example, Isuzu Motors announced that it would stop making trucks in Australia in about three years By that stage, the tariff on trucks should have dropped to five per cent. compared with 12 per cent at present.

For the working population, the combined effect of these two trends has been devastating. The unemployment rate remains stuck in double-digit figures and, as the structural upheavals continue, few economists are willing to predict any significant reduction in the foreseeable future. That, in turn, has done nothing to ease relations between the government and the labour movement. These have already been strained as Australia tries to develop a devolved, enterprise-based wage-bargaining system - essential to freeing up a labour market which has been among the most heavily-regulated in the OECD

Culturally, some of the challenges are just as tough. 1993 was named the year of the indigenous people and Aboriginal music is selling in high street record

But the fight over land rights remains heated, and the High Court's 1992 "Mabo" ruling - which overthrew the notion that Australia was uninhabited before European settlement and declared that native title could exist where Aborigines had retained a close association with the land - has yet to be translated into a viable system for deciding native title

On this score, a political compromise, which wins a modicum of backing from many of the interested parties, is finally on the table, although the all-important details have yet to be fleshed out. Even then, it is unlikely that the Aboriginal community will see this as a final settlement of past wrongs: "a native title bill is just a first step," comments one moderate representative. "We're going to

have to do this piecemeal."

Mr Keating has indicated that the discordant strains could be better harmonised under a "Republican" flag. To some observers, this is cheap politicking an attempt to divert people from real underlying issues, with a largely symbolic rallying cry. But that, perhaps, misses the point. When a country goes through a fundamental and painful adjustment, a little attention to the symbols may be no bad thing.

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TOURISM

A place in the Pacific sun

Several other factors have added to the industry's roller coaster feel,

• the Federal Government's deregulation of the aviation industry and subsequent beavy losses and rationalisation among the country's

• the unique double failure of Compass Airlines - the new market entrant that was touted as giving meaning to deregulation; and

• postponement of the public float of Qantas, the country's international carrier, from which the Federal Government hopes to raise more than A\$1.5bn.

But just as investors were }caught by overestimating the industry's growth, there are signs that those who continue to retreat will miss the next cycle. Christopher Brown, executive director of tourism's umbrella body, |Tourism Task Force, believes some hard lessons have been learned.

"You have to remember we've only been in the international tourism business in a big way for just

over a decade," Mr Brown says
"What we had in the 1980s was a marketing-led rather than productled boom. Some of our early marketing campaigns (notably the Paul Hogan 'shrimp on the barbie' advertisements) were among the best in the world. But events since have shown that the industry wasn't really able to handle the boom in

overseas tourists that followed." Mr Brown believes the industr tried to become too sophisticated too early. "We thought we had achieved worldwide awareness, but we now know we didn't. But the result is that, although some of it is der-utilised, we now have some of the world's best tourism infra-

Mr Brown says that with the Olympics and increased govern-ment recognition and funding for tourism, the industry is now targeting an annual rate of around 7.5m rseas arrivals by 2000. The target would have been around 6m without the Olympics, but both aims are considerably higher than



Sunset in the Northern Territory; a lot more to offer than barbecued prawns (Picture: ROSS BRAY)

estimates of 4.8m arrivals by the government funded Bureau of Tour-

ism Research (BTR). While any of these estimates suggests strong growth, the industry still has a task ahead in educating investors. Mr Brown says banks and institutions are still far less adept at assessing investments in tourism than other sectors. That ranks as a serious oversight given

While tourism is often proudly promoted as Australia's biggest export earner, that description understates its \economic impor tance. If the international and domestic tourism components are taken together, the industry is arguably Australia's biggest.

Judging by BTR figures, no

investment institution of any standing can afford not to have exposure to the industry. The BTR publica-

tion, Tourism and the Economy, calculated that tourism accounted for 465,000 jobs, 5.6 per cent of the country's gross domestic product and 10 per cent of its foreign

exchange earnings in 1992. The BTR figures showed that domestic tourism expenditure, at A\$18.4bn, was almost 2.4 times the size of its international counterpart at A\$7.7bn, for respective GDP contributions of 3.8 and 1.8 per cent.

Latest estimates suggest that in 1993 domestic tourism expenditure will exceed A\$22bn, with international expenditure rising to

Perhaps the clincher for the tour-ism industry in its push for a larger share of investment funds lies in Australia's geographic location. Leading stockbrokers ANZ McCaughan (AM) put the case well in a recent publication, urging investment in Australian air lines.

"Australia is positioned on the edge of the fastest-growing tourism region in the world - the Asia/Pa-cific," AM analysts said. "By the Year 2000, the Asia/Pacific region with a 39 per cent share, is expected to dominate the world's international air traffic.

The other two major regions will be Europe (26 per cent) and North America (23 per cent). For the remainder of the 1990s air travel in the Asia/Pacific region is expected to grow by an average 9.4 per cent a year, almost twice as fast as the US (4.9 per cent) and far faster than

Europe (5.5 per cent.)"

AM quoted a BTR break down forecasting that the proportion of Asia/Pacific tourists visiting Australia will rise from 43 to almost 50 per cent by 2000. "Japan, Asia, the US and Europe will be the key inbound markets by the year 2000," AM said. "The proximity of these countries to Australia, together with relaxation of institutional constraints on travel ... augurs well for

BUSINESS CLASS



HE Australian Labor party, in power for a decade, had expected defeat at the March national election. But prime minister Paul Keating's surprise victory gave Labor the charice to start a new era for both the party and country.

Eight months after that startling comeback there are early signs that Labour's new era will be a uninspiring period, in which government appears bereft of fresh ideas and looks decidedly weary. It may also be a period in which Mr Keating's forceful political persona and blustery performance in parliament are tempered by forced compromises with opposition parties, especially those which hold the balance of power in the senate.

Mr John Dawkins, the federal treasurer, has already been forced into humiliating horse-trading with minor Green and Democrat parties who hold the balance of power in the Senate, and who were threatening to block legislation needed to implement the federal government's budget. announced in August. He was forced to back down on some of the budget measures after the Labor Party caucus threatened to revolt and vote against the measures in parliament

Mr Dawkins, a driving force in the government's active reform programme during the 1980s, vividly captured the party mood when he slumped at a press conference announcing the third step of amendments to his budget, and speculated openly about the attraction of political

Eventually, Mr Keating intervened, negotiating a deal with the minor parties which offered them further concessions in exchange for passing the revenue-rais-ing bills. In the course of this messy process, the Labor party was left trailing in popularity stakes, and Mr Keating suffered an all-time low in leadership ratings.

One of the key problems for the Keating government is how to fix a stubborn economy. A mild recovery has been underway during the last 12 months, but the shaky foundation of world demand precludes a stronger trend.

Occasional sparks of economic good news have provided the much required psychological boost. The annual rate of inflation was 2.2 per cent in the three months to September, maintaining Australia's low inflation regime. The September current account deficit of A\$1.1bn, seasonally adjusted, was below market expectations, glving hopes that the Australian A\$18bn forecast in the budget might come

And there are a few bright spots such as the rapid growth in manufactured exports, which have bolstered an impressive 19 per cent growth rate over the past five years. But commodity prices remain depressed and the rural sector remains stuck in the doldrums; domestic demand is still weak;

and business investment is at low ebb. The government has attempted a mild fiscal stimulus by reversing its hard won budget surpluses of the 1980s and running up budget deficits in the last two years. The government's fiscal hand is constrained, however, by continuing balance of payments deficits and external debts of



A mixture of emotions and political issues for ns and populace: above: Labor prime minister Paul Keating; below; opposition Libera party leader Or John Hewson; and right: the leaders of a 35,000-strong demons





POLITICS: Paul Keating plays the republican card

By the dawn's early light

more than A\$160bn (\$106bn), or over 40 per only A\$48m, but received a massive outcry cent of GDP.

The 1993-94 budget debacle illustrated how tightly Mr Dawkins' hands were tied by both fiscal and political constraints. While it was Mr Dawkins who framed the document, he had to work within some untouchable parameters set by Mr Keating, including the non-inclusion of tax measures that might be construed as de facto goods and services tax, and the delivery of election promises, especially income tax cuts. The personal tax cuts will cost the government around A\$8.6bn between

The budget was widely seen by the markets as fiscally responsible. It allowed for a deficit of A\$16bn but included a programme to reduce the deficit to one per cent of GDP by 1995-6.

But because it paid the price of election promises, it turned out to be politically inept. It included several measures that raised small amounts of revenue but at a high political cost - for example, a plan to remove public health benefits for eye care which would have saved the government

for its potential effect on low income earners who might not be able to afford adequate care.

Other unpopular measures included a three cent excise on leaded petrol which hit low income earners hardest, and a

The events leading to Mr Dawkins' bud-get backdown also revealed a Labor Party in serious disarray, with several members distillusioned by Mr Keating's one-up-manship. When it looked like the minority Democrat and Green parties were going to succeed in ramming through some budget changes, the party's parliamentary caucus angrily demanded a meeting with Mr Keating and Mr Dawkins. This overflowed with anger over the Treasurer's and the prime minister's failure to consult on the budget in other major policy issues

After threatening a revolt in parliament against the budget the caucus extracted an undertaking that Mr Keating in future would canvas opinion more widely on major policies.

It was the first time that caucus and

cabinet had asserted themselves since Mr Keating wrested power from the previous Labor leader, Mr Bob Hawke, in December 1991. Mr Keating had mesmerised the party with his uncanny ability to pull a rabbit from the hat whenever the government's political fortunes ran perilously low. This magic became even more powerful after his stunning election victory in March, Caucus had accepted his unprece-

dented authority while Cabinet largely

stood by while he tackled policies only

with his closest personal advisers. But morale sank significantly when the government's dramatic slide in the popularity polls began. Shortly after the budget was handed down, support for the goverment fell to 42.5 per cent on a two-party preferred basis, compared with the opposition support of 57.5 per cent. The Morgan poll also showed Mr Keating reaching an all-time leadership rating low of 24 per

cent, down two per cent.

In recent weeks, some ground has been regained. This has been partly due to the resolution of the budget fiasco. But recovery in Keating's rating was also helped by

interested parties for failing to produce satisfactory measures to protect their land leases from possible Aboriginal claims.

After months of agonising and emoional debates, Mr Keating delivered, literally overnight, a compromise package that, for the first time, seemed to impress the Aborigines, mining companies and pastoralists, and state governments.

The new proposals include a mechanism that would decide claims to native title. another mechanism that would decide whether mining should proceed on nativetitle land and an option for Aboriginal groups to convert their pastoral leases to another form of native title.

The land rights issue blow out last year after a High Court decision recognising Aboriginal land title and overturning the doctrine of Terra Nullius, which ess tially held that the land was empty before British settlement in 1778.

But even the land rights problem was marked by some chansy handling at first. Mr. Keating had to back down from an earlier refusal to help Comalco, the alu-minima-producing subsidiary of the CRA. Group, from Aboriginal claim to its banxite leases in the state of Queensiand. The claim had jeopardised Comalco's proposed A\$1.75bn aluminium smelter project

Mr Keating had initially rejected the Queensland government's call for a com-plementary federal-state government legislation to validate Comalco's leases. A complementary federal legislation was required because the state legislation alone might breach federal racial discrimiation laws.

Mr Keating appeared to have refused to help only because the Queensland government had placed the onus of responsibility on the federal government. But after the threat of a another cancus revolt. Mr Keating turned around and struck a deal with the state government to validate the com-

While the land rights issue has been handled adroitly in its latter stages, the government has been far less convincing in its industrial relations policy, one of the few areas where it could act to boost employment in the medium term. The Labor party had earlier introduced enterprise bargaining and begun to shift \from centralised wage fixing. Both are essential to breaking down the labour markets' rigidities and removing restrictive work practices that have dogged productivity gains in Australian industry.
The industrial relations minister, Mr

Laurie Brereton, however, faced intense pressure from the powerful Australian Council of Trade Unions (ACTU), when he proposed to open up enterprise bargaining to non unionists. The ACTU's support for the Labor Party's economic programme was central to its successful reforms during the 1980s and its political support was one of the keys to the party's victory in the March election. The government has since bowed to the ACTU's opposition, and scrapped plans to open enterprise agreements to non-unionists. A bill introduced last week provides that unions will be able

breakthrough in the vexed issue of to scrutinise but not veto non-union "flexi-Aboriginal land rights. Until last month, bility agreements. This has, however, the government suffered the ire of several angered employer groups who have called interested angered employer groups who have called

the government backdown "nathetic".

There have been some lesser debacles, too. The government has mishandled the introduction of the control introduction of subscription television and some seemingly pointless reforms of its scientific and industrial research policies. All have compounded the image of a gov-erument adrift and tinkering at the edges. For some Australians, the debate over whether the country should become a republic epitomises the paucity of real pol-icies. Mr Keating has held aloft the idea of breaking ties with the British crown and forging a future for Australia enmeshed in the booming economies of Asia - essen-

tially a "vision" of a new Australia. This has certainly captured a great deal of attention. Mr Keating hopes to declare a republic at the centenary of Australian federation in 2001. There is a strong promonarchy opposition to his plan but he has found unexpected support from some conservatives in the Liberal Party. Even the opposition leader, John Hewson, refuses to oppose the republic outright.

But with unemployment still high at 10.9 per cent, many see the republic as a diversion and the general electorate is desperately seeking economic leadership. The government's failure to provide it has, at least temporarily, enabled Dr Hewson to bounce back from the brink of political ruin. But the danger now for Mr Hewson is that his coalition of conservative parties may be sidelined as the main opposition group, with Mr Keating preferring to court the minor parties in the crucial senate

The prime minister himself has been conspicuously absent during many of the

'A transformed nation marching side by side with Asia, Oceania and the Pacific' - Keating's final appeal to the Olympic Committee

domestic debates. He has had several overseas trips, where he has successfully shifted the focus to Australia's leading role in liberalised trading in the Asia Pacific region. -

While overseas, he has taken every opportunity to focus attention on the republican issue. In his final speech to the "International Olympic Committee at Monte Carlo, Mr Keating linked the Sydney bid to Australia's push for a new identity. "Australia's transformation as a nation is marching side by side with a transformation of the region of Asia, Oceania and the Pacific Basin," he told the Olympic Committee

But in the political climate at home, Mr Keating's push seems rather hollow. While he may well be on track to get popular support for a republic, it will only happen if the Labor government remains in power long enough during the 1990s to set the nation on an irreversible path to a repub lic. His government's current performance may make that unlikely.

Emilia Tagaza

Archaic labour laws are gradually being amended, writes Nikki Tait

Forward from the iron age

THE REGIONAL HEADQUARTERS LOCATION IN ASIA PACIFIC

Social Coard into Asia

Pacific

Pacific



New South Wales has Australia's largest base for telecommunications and business activity. Representative of the global reach of the international commerce, science and technology culture that has English as its common language of business communications. This makes Sydney an effective broker in trade and investment relations and a cost-effective gateway into Asia Pacific markets.

A U S T R A L I A Chief Executive, Office of Economic Development, NSW Premier's Deportment Facel 28, State Office, Block, Phillip Street, SYPMEY 1800. Telephone: (612) 228-3627. Excitable: (612) 228-3626. USA Representative, State Bank of NSW (7th Plane, 64) Fath Account, New York City, NEW YORK 10022, Telephone (1212) 891-1100 Faceandes (1212) 891-1126 UK Official Representative, NSW Government Office 7th Floor, 75 kars; William Street, LONEAN SCAN 7thA. Telephone (4471) 283-2166 Facsimile (4471) 522-0307 JAPAN Official Representative, NSW Government Office Sure 525-526, 2-3 Manuscala, 3 Chome Chrysla No. To 6570 160. Telephone: (831) 3214-2006. Factoride: (831) 3201-2592. HONG KONG Official Representative, State Bank of NSW Soite 1904. Three Eachairs: Square, 81 January Bassl CENTRAL HONG RONG. Telephone (952) 521 1470. Facatable (852) 845 1796.

OF all the challenges facing the new Labor government, developing industrial relations reform legislation has been one of the toughest. Last month, trial relations minister, finally revealed the package of measures to parliament - no small

political achievement. The question is whether, in its efforts to win union support, the government has missed an opportunity to accelerate the pace of change in wage fixing. Historically, Australia's industrial relations system has relied on a network of quasi-judicial federal and state industrial commissions which have set wages for the majority of workers in centralised fashion - paying little attention to productivity levels, regional condi-tions, or individual employers' ability to pay. In the event of disputes, the commissions have had the power to order compulsory arbitration, and to fine or imprison both workers

In recent years, this system has also operated within the framework of an incomes "accord", agreed between the federal government and the Australian Council of Trade Unions, an umbrella body for the nation's various labour organisations. The first deal was struck in the early 1980s, and there have been six subse quent compacts. For the most part, the objective has been to deliver a degree of wage restraint in return for cartain fiscal measures or welfare

and employers who fail to com-

The seventh, and current, accord was unveiled earlier this year, shortly before the election. It differed slightly from its predecessors, being more of a "social document" than a simple prices and incomes formula. But, in essence, it concentrated on two subjects: jobs and enterprise

bargaining.
On the former, a target for employment growth of 500,000 over a three-year period was laid down; on the latter, a commitment was given to devolved wage fixing, based on workplace bargaining. Finally, the agreement promised an arbi-trated "safety net" pay increase of \$8 a week (with other flat-rate increases foreshadowed for 1994 and 1995); in the event, bargaining failed to produce a deal.

None of these elements has proved easy to implement. per cent of workers belonged to

bornly high, with the Septem-ber jobless rate standing at 10.9 per cent. Moreover, some forecasts have suggested that, even if the 500,000 lobs target is met. population growth and an increased worker participation rate would still leave the 1996

digits.
The ACTU has been critical of the new government's first budget, claiming that Mr Keating and his cohorts seem more interested in containing the nation's deficit than in job creation. At the ACTU congress in September, there were calls for

Industrial relations are founded on a maze of wage rulings by federal and state commissions

a shorter working week to dis-tribute "leisure time", and for various fiscal initiatives to help reduce unemployment. The government, for its part, set up a task force to look into

the issue, and faces increasing pressure to tackle the issue from its own back-benchers. Any substantive action, however, is unlikely before 1994. The second main plank of the seventh accord, "enterprise bargaining", has been just as thorny, with much of the debate centring on who - on the labour side - should be permitted to strike these devolved workplace deals.

ACTU members naturally preferred that existing unions be the vehicle. Mr. Brereton, the industrial relations minister, is committed publicly to opening enterprise bargaining to non-Throughout the debate, the union movement faced two pressures. First, it knew that a Labor government might not be in power forever. There was, therefore, a desire to

potential successor - by get-ting the right to strike enshrined in law, for example. The ACTU also knew that its power depends on a controlling position in the labour market place, and was never likely to embrace any measures which threatened this. Union membership generally has been on the wane in Australia, although there have been some signs that the position has sta-bilised recently. At the end of a union, compared with over 50 per cent in the mid-1970s. At the end of the day, the

legislation presented fudges onthe enterprise bargaining will be able to strike enterprise deals through the use of flexibility clauses incorporated into unions will be able to scrutinise such deals (although they will not have any power of veto). This, say some employers, is no reform at all: the scrutiny, and shility of unions to question deals in the arbitration forum, will deter many companies from going down this path. ...

Greater protections for workers, however, are set out very new national minimum standards on employment; a legal right to strike; and, if unions break laws against secondary boycotts, a "conciliation" period of up to 72 hours before an employer can take legal

With this debate over enterprise bargaining commanding such widespread attention, many industrial relations practices which have become de riqueur in other western-style economics barely get a look-in. Employee share ownership is relatively limited, for example, although some notable exceptions, such as the scheme at financial services group, Lend Lease, do exist. The title of a

recent publication from the ACTU summed up the labour movement's ambivalent approach: it was Handle with

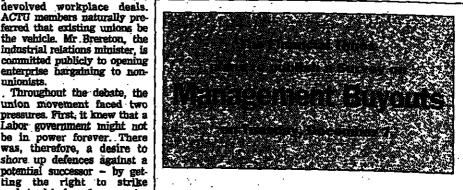
gaining" - a practice of exchanging pay or workrule entitlements for, say, equity in business, which became increasingly common in the US during the recession - remains anathema.

That said, the extent to which the labour market has already undergone changes should not be underplayed. The Australian labour movement has streamlined internally, cutting the number of unions. The number of working days lost through industrial disputes has also fallen, although the picture is scarcely pretty: the total stood a 1.015m in the year to end-June, compared with 1.57m two

years previously.

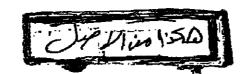
Finally, enterprise bargaining is finding its way into a fair number of workplaces regardless of the furore over legislation, and about 11 per cent of the workforce is reckoned to be covered by such deals at present.

For many industrialists, the changes cannot come fast enough. For the labour movement, in a country which has a long history of protecting the "working man", it is a question of ensuring that precious rights are not eroded.



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.., 7,682,300 sq km .17.53 million (1992 estimate)

Geography has the last word

AS THE Uruguay round of talks on world trade liberalisation sinks deeper into uncertainty, Australia's regional trading initiative, the Asia Pacific Economic Co-operation forum (Apec), is gaining increasing support from both within and outside the region.

For the Labor government which sired the idea, Apec is starting to pay dividends on two fronts. First, it is rewarding the gamble to grab the leadership initiative in a region where most other countries regard Australia as a suspicious white foreigner. Secondly. Apec is beginning to look like it might provide an avenue for greatly liberalised trading between the region and its major western trading partners, particularly North Amer-

Apec was born partly of Australia's frustrations over the agricultural subsidy war between the US and the European Community. Often caught in the crossfire, Australia has sought to use whatever influence it had to get other countries together and get an open multilateral trading system working, even if only on a

Australia has taken the lead in fostering regional trade and cooperation

Australia has suffered severely from the grains war, with the US infringing on several of its traditional wheat markets, including China, Kuwait, Yemen and Pakistan. As a result, its wheat export earnings have fallen from a peak of A\$2.45bn in 1989 to A\$1.51bn in 1991, a decline aggravated by droughts in wheat-growing areas.

Together with other non-sub-sidised agricultural exporters snared in the war. Australia has formed the Cairns Group, which has played a key role in getting the Gatt talks to focus on agricultural trade liberalisation. But France's continuing intransigence over subsidies will now force Australia to rechannel energy to Apec.

Apec was also born of a determination to get accepted as an integral part of the Asia Pacific region, and thus get a better share of the bounty from its dynamic economies. Despite its proximity, Australia has not really developed strong trading relations with the region. This was partly because in many of the countries, especially in south-east Asia, former western colonial markets are very well entrenched. Australia also suffered from an image problem: while geographically located in the region, it is seen to represent the interests of the big white man. Australia itself has traditionally enjoyed more comfortable trading with Britain and Europe.

Over the last decade, Austra-

tion. Prime minister Paul Keating, while still treasurer in the early 1980s, began switching the government's focus from Europe to the Asia Pacific.

During his first term as prime minister, Australian business and government for the first time joined forces to capture a larger slice of the lucrative Asian market. The Department of Foreign Affairs and Trade has enlisted business support to produce trade and investment strategy in south-east and north-east Asia. The strategies drew on experiences pf Australian companies already operating in the region, and identified opportunities as well as constraints in doing business in the region.

The trade department has also restructured its operations so that for the first time, the Asia division is now bigger than the Europe and the Amer-

The efforts have been well rewarded. In Vietnam, which has just opened its doors to foreigners, Australia has emerged as one of the biggest investors. Earlier this year, BHP won the contract to develop the huge Dai Hung oilfields. The project, worth around US\$1.5bn, places Australia as the second largest investor in Vietnam, next to

When Apec was first mooted in 1989 by the then Australian prime minister, Mr Bob Hawke, it was greetly blandly

The Asia division is now the biggest in the department of trade

by its polite Asian neighbours. Japan and the US were even more guarded, unsure of how the new grouping fitted in among the established institutions with which they already had pleasant relationships, especially the Association of South East Asian Nations, Dr Mahathir Mohamed, the Malaysian prime minister who had organised another grouping, lia has tried to rectify the posi- was outright suspicious of

Queen Elizabeth II, represented by ... Australian Dollar (AS Avg. exchange rate .. 1992 US\$1=A\$1.36; 1/11/93 US\$1=A\$1.48 ECONOMY

KEY FACTS

1002 GUP (USSBn)	290.7	n.a.
Real GDP growth (%)	1.9	2.8
GDP per capita (US\$)	16.586	n.a.
Components of GDP ² (%)	.0,000	ILQ.
Private consumption	60.1	61.7
Total investment	19.6	19.5
Government consumption	18.2	18.8
Exports	19.7	18.7
Imports	-17.8	-19.2
Consumer price inflation (%)	1.0	2.2
Avg earnings (% change pa)	2.5	2.6
Unemployment (% of lab force)	10.8	10.9
Reserves minus gold (USSbn)	11.2	11.2
Total external debt (US\$bn)	139.7	n.a.
Narrow money growth (% pa)	18.1	11.4
Broad money growth (% pa)	5.4	4.6
Interest rates (% end period)	J.4	4.0
3 month money rate	5.8	
10 year bond yield	8.9	4.7
FT-A index (% change on year)	-8.4	6.5
	-0.4	+31.4
Current acc.balance (US\$bn)	10.7	
Trade balance (USSbn)	-10.7	-10.9
	1.6	n.a.
Main trading partners (92/932,%)		
	F	
Developing countries	Exports	Imports
Japan	41.0	32.2
EC.	24.8	18.4
IKA	11.6	19.6
USAASEAN	8.1	21.8
AOEA1	14.5	9.0

= 1993 figures (GDP growth and current account - EIU forecasts for year, earnings - Q2; CPI - Q3; reserves and money growth - August; unemployment - September; interest rates -October. 2 = Fiscal year ending June. Sources: IMF, Datastream Economist Intelligence Unit

Apec. His East Asia Economic Caucus excludes Australia and New Zealand.

But because of the faltering Gatt talks, the main mechanism for multilateral trading, it seems that the previously most cynical Apec members now accept that regional integration would be the best insurance against a Gatt col-

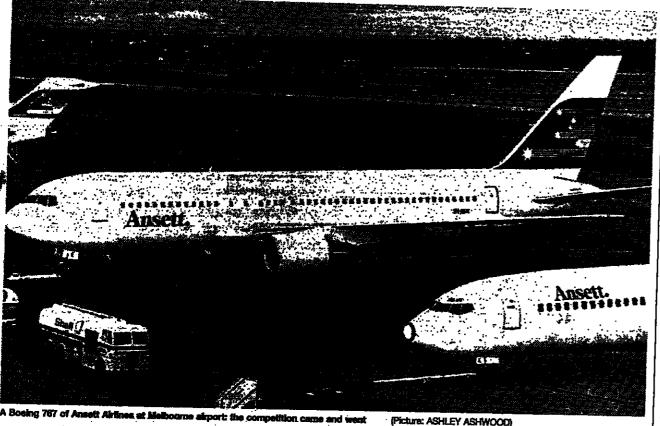
The most dramatic turnaround was from the US. During Mr Keating's visit to Washington last month, US president Bill Clinton threw his full weight behind Apec as another link in the free trade chain, and as a vehicle for locking the US into the region.

Importantly, there have also been strongly positive signals of Japan's acceptance of Australia's leadership. The Ministry of International Trade and Industry has said it was impor-

tant that Mr Keating kept up the momentum for regional integration. And the head of the Asian research arm of Nomura Securities, Mr C. H. Kwan, has said: "Australia has a big role to play in this region. It is very difficult for Japan to play a leadership role because of its relations with Asean, and Australia is in the best position in the region to bring everybody together to discuss common interests."

Apec has also achieved a political coup by getting the three Chinas - Beijing, Taiwan and Hong Kong - sitting together as members.

With the members' growing receptiveness, Australia is poised further to assert its leadership, not only of the region but also of a more permanent body that would keep alive the region's hopes for continued liberalised trading.



SOUTH AUSTRALIA

Airlines are experiencing turbulent conditions, reports Nikki Tait

Seat-belt warning is on

But in spite of deregulation's

failure to generate new domes-

tic carriers, matters have not

returned to the pre-1990 status

quo. Last year, the government

made a new attempt to "revo-

lutionise" the sector. This

time, it talked of creating a

common aviation market in

Australia and New Zealand,

while effectively doing away

with the long-established

divide between international

routes, serviced by Qantas, and

domestic routes, handled by

After some angst, the revised

policy paved the way for gov-

Qantas, and the beginnings of

a privatisation process for the

Australian and Ansett.

TURBULENCE has been a world-wide feature of the airline industry since the start of the 1990s. Australia's aviation sector has been no exception although some of the bumps been peculiar to the region.

First, on the domestic front, there has been the fall-out from deregulation.

Liberalisation of the Australian airline industry took effect in October 1990, when route licensing restrictions and pricing constraints were removed for internal flights. Almost immediately, the two existing domestic carriers - Ansett and Australian - confronted a new competitor in the shape of Compass, a start-up airline. Domestic air fares fell dramatically; cuts of as much as 70 per cent occurred on some routes, although the official estimate for the reduction in "average fares" stood at

Compass, however, was a short-lived incarnation. It failed first in December 1991, sed its aircraft, only to be reborn under new management in August 1992. Compass Mark Two died in March this year, when the receivers were called in, and the airline wound up. Three years on, then, deregulation has scarcely delivered

around 30 per cent.

what its proponents hoped for - and, with other fledgling airlines failing to take to the skies, recriminations surfaced in the wake of Compass' collapses. On one side, manage-

SURVEY SYNOPSES

BACK NUMBERS

ment was accused of negligence. On the other, there were allegations that government had reneged on a promise to protect new entrants; that domestic facilities were too congested to accommodate competitors; that more government-sponsored travel needed to be directed towards new carriers, and so on.

In the short-term, the net result of this messy experiment has been to recreate a duopoly situation - against a background of fairly weak, and extremely price-sensitive. demand for air transport.

According to the Department of Transport, domestic revenue nassenger kilometres rose by 28.5 per cent between 1990 and 1991 when fares were tumbling, and then by just 3.24 per cent

increased - but only modestly. The Price Surveillance Authority calculates an increase of about seven per cent, during the June quarter which followed the second Compass collapse. "Fares are still about five per cent lower than in the same period last year, and 23 per cent down in real terms on the pre-deregulation levels of nber 1990," says its chair-

man. Mr David Cousins. Airline executives support this sluggish picture. "Traffic is slow-growing and people only respond to very low pric-ing," comments Rodger Robertson, director of corporate plan-

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Three years after deregulation, the results are disappointing Air fares, meanwhile, have ernment's sale of Australian to

> merged entity. Evidence of this tie-up is now clearly visible to any traveller: Qantas food has been appearing on internal flights for some months, for example, and the Australian name vanished from ticket counters and the like this month. On the privatisation front, meanwhile, British Airways came in as a 25 per cent shareholder in February, buying its stake for

But the Qantas-Australian flight plan has not been trouble-free. Integration, notoriously difficult in the airline industry, has been slower and more costly than some had hoped. Qantas, although reporting a slim A\$32.9m profit after financing charges, took a A\$446.4m hit for costs and 1993 FORTHCOMING SURVEYS LIST Tel 071 873 3763 write-offs related to the merger Fax 071 873 3062 in the year to end-June.

Moreover, in August this vear. John Ward. Qantas' veteran chief executive quit - and was replaced by James Strong. a Qantas director and former chief executive of Australian. who formally took up the reins this month. Finally, the next stage in the privatisation process, originally due to take place this autumn, has been delayed until the 19945 finan-

eanwhile, over at Ansett, the first international flight took off in September, to Bali, and the airline - owned jointly by TNT, the transport group, and Mr Rupert Murdoch's News Corporation - has also accumulated rights to other parts of south-east Asia.

Ansett, it should be noted, is not be the only new recipient of international route authorities. The International Air Services Commission has a clear policy of favouring new entrants in the international arena and that, in turn, has meant route awards for the likes of National Airlines, on the freight side, and for Australia-Air International, a untried passenger carrier. But on the trans-Tasman

front, matters are largely in abeyance. Synchronising operating procedures, such as customs and immigration, between Australia and New Zealand has proved no simple task, and government negotiations are continuing. In the meantime, Ansett has decided against flying trans-Tasman routes at this stage. It will review its position when it gains access to more city pairs in November, and has a better grasp of the operational details

of the single market. To an extent, the consolidation seems to be improving profitability. Ansett, for example, managed to deliver a A\$59.5m operating profit in the year to end-June, compared with a A\$91.2m loss last time round, although there was still a bottom-line deficit. Qantas also traded profitably in the first quarter of 1993-4, compared with a loss in the same period a year ago.

Nevertheless, all the unheavals have produced additional capital requirements, in an industry which has already been drained by fare-discount ing, at home and abroad, and by recessionary conditions. Both TNT and News Corporation have made clear that they would like to bring a new part ner in at Ansett at some stage.

Finally, there is the issue of

foreign competition and bilateral relationships. On the one hand, some recent retrenchment - for example, by Houston-based Continental Airlines and Germany's Lufthansa may ease conditions for remaining players. But two other large US carriers, United and Northwest, have had furious spats with the Australian authorities this year, over frequencies and traffic restrictions on Japan-Sydney portions of their US-Australia route authorities. Such rumpuses are a clear reminder of everyone's determination to claw out the maximum possible profit, in a generally depressed industry

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The state of the s

NYONE glancing at the roaring Australian stockmarket might conclude that boom times are just around the corner, writes NIKKI TAIT.

In reality, however, Australia is waiting anxiously for world economic growth to pick up - and finding that any marked improvement is slow

In some respects. Australia looks to be in better shape than bigger, recession-hit counterparts. Gross domestic output, which grew by an average annual rate of over three per cent in the 1980s before slump ing badly in 1990-1 and 1991-2 recovered to a rate of 2.5 per cent in the last fiscal year.

Government forecasts have suggested that a slightly higher percentage increase 2.75 per cent - could be in view for the current 12 months, the figure as over-optimisto

Even on the pessimists' figures, however, Australia still stands ahead of Japan, West bly on a par with the US. In short, no rip-roaring boom, but conditions could be worse.

Inflation - an Australian has also ceased to be an imme diate worry. Consumer prices rose by a miserly 0.3 per cent price rises seen in the industrialised world. This figure. admittedly, has already increased; the September consumer price index suggested a 2.2 per cent increase, year-onyear. It will jump further as a result of indirect tax increases in the government's latest budget. But the underlying infla-

In spite of these fairly positive trends, however, the economy still faces a couple of big problems. For a start, the growth which is occurring generally owes more to public sector spending than private sec-tor investment. Interest rates may be at their lowest levels for over a decade, but according to a recent survey by Commonwealth Bank, published in the late summer: "Since the peak in business investment in the September quarter of 1989, private expenditure on plant and equipment has fallen by about 32 per cent, while nondwelling construction has declined by around 44 per

Meanwhile, retail sales remain weak, with September's value only 0.8 per cent higher



ECONOMY

Global upturn must come first

down 0.6 per cent. And, while there were signs of a strong, double-digit surge in both new car registrations and in housing finance in September, most pundits interpreted these numbers as a fluke - probably inflated by customers nervous about possible fiscal changes.

It is true that Mr John Dawkins, the Australian treasurer, has outlined a strategy which should reduce the deficit to one per cent of GDP by 1996-7, or A\$5.8bn. But not everyone agrees that this aim is achievable. The government's heavy reliance on indirect tax rises to fund its promised tax cuts has prompted debate over the eventual implications for inflation and growth. As Bill Evans, chief economist at Westpac Bank, puts it: "We believe the government's growth forecasts are, on average, too optimistic

and expect that, for no other

policy changes, the 'target deficit', will be missed by \$2-\$8bm, or 0.5 per cent of GDP."

Perhaps the biggest headache - especially for a Labor government which is still closely bound to the union ment - is how to tackle the high levels of unemploy-ment which persist at present without throwing the deficit reduction strategy way off course. The unemployment rate is stuck in double-digit figures - although it did edge down from 11.1 per cent to 10.9 per cent in September. However, few economists think that it will drop significantly in the near-future.

In part, this pessimism stems from the industrial restructuring, which has followed the reduction in Australia's protectionist tariff barriers. Jobs in some of the "old" manufac-

turing sectors, while self-employment has actually risen. In the long-term, there are hopes that a balance may be struck: that the growth of higher value-added. export-oriented industries, and a more entre-preneurial breed of small busi-JACQUES. nesses – supplying "outsourced" services, for example

labour surplus. For the is the order of the day. All that said, a couple of brighter spots shine through these clouds. First, the corpofor six years. rate sector has been undergo-

ing a cathartic overhaul. This has been spurred partly by recession, partly by the need to address overstretched balance sheets, and partly by broader political decisions, such as the tariff changes. In the main, this has reduced. rather than added, jobs and brought little net new investment. But it has produced significant upturn in profitability. According to the Austra-lian Financial Review, net profits from 500 listed companies whose financial year ended on June 30, rose by 98 per cent. Sales, by contrast, grew by

only 4.5 per cent. Secondly, there has been a marked difference in econor performance between the dif-ferent states and territories. land have been well ahead of the pack, while growth in New South Wales has lagged the ally attributed to the resourcebased activity in the former two states, and the presence of more traditional (and hitherto protected) manfacturing poerations on the east coast.

But at the end of the day, ome meaningful improvement in economies of the country's leading trading partners, such as Japan, looks neccessary before Australia enjoys any real lift. Many analysts caution that this could be slow to develop, and the Australian Bureau of Agriculture and Resource Ecnomics has recently forecast a further three per cent fall in commodity prices in 1993-4, although a bling exchange rate could leave them higher in Austra-

lian dollar terms. All this may change by 1994-5. But as one analyst has concluded: "The issue is whether the Budget strategy can deliver enough economic growth in the short-term to enable Australia to hitch a ride on the upcoming locomotive of

HILE Australia's poli-ticians have been haggling about taxation on Chardonnay wine, the din has all but drowned out an issue of far greater national significance, writes BRUCE

The index of commodity prices to Australian producers, - will mop up some of the measured in Special Drawing Rights terms, fell to its lowest level for at least seven years, dragging the Australian cur-rency briefly to its lowest point

The commodities slump, now entering its second half decade. has further highlighted the vulnerability of the Australian economy to external forces. As a world export leader in many key commodities, including coal, iron ore, gold, alumina, copper, lead and zinc, Austrahas sensitive antennae to

Yet the mining industry has again comfortably held its place as the country's largest export earner. It has done so, however, only by producing more for less, thus playing a big part in chasing world

The pattern was clearly indicated in a recent analysis from ABARE, the Australian Government's commodity analysis body. ABARE calculated that the weighted basket of Australia's commodity prices fell by 8 per cent in 1992-93 and pre-dicted a further 3 per cent fall in the current year.

Yet the agency is also predicting that the value of Australian commodity exports will rise by about 3 per cent to A\$49bn in the current year. This is forecast to reflect a 2 per cent fall in rural exports. easily offset by a 7 per cent lift to A\$31.8bn in mineral exports.

Australia's export growth in mining goes against all the world's leading economic trends. Its counter-cyclical nature is perhaps most strik-ingly demonstrated in relation to steel, still the pivotal metal nic growth. ABARE forecasts that, in

spite of the lower steel produc-tion in leading economies, Australia's two best export performers this year will be in steel's key raw materials, coal and iron ore. Coal exports are forecast to rise 3.5 per cent to almost 133m tonnes, with revenue up 4 per cent to A\$7.8bn. iron ore exports are predicted to rise 2 per cent to 110m tonnes, but earnings would fall per cent to A\$2.9bn.

The incongruity of this export position has been the catalyst for a lively debate on Australia's economic direction. The Federal Government is championing a push to



■ MINING

In the front line

tured products where world prices are less influenced by consumer countries. Recent growth has been impressive. especially in technology related areas.

According to figures from the Bureau of Industry Economics, manufactured exports grew at an average annual rate of 12.5 per cent in the decade to 1992, or from A\$10.3bn to A\$33.4bn. This slightly exceeded average annual U.5 per cent and dwarfed agricultural export growth of just 2.8 per cent. Even with manufactured exports growing quickly, Australia will continus to be a price taker for a large part of its total exports, but there are two strong pluses

to the scenario. The first is the country's fortunate geographic location, affording natural access to some of the world's big growth economies in Asia. Emerging Asian economies account for the bulk of growth projected for Australian mining products

his decade. The second, perhaps paradoxically, is the corrective effect of the world commodity price slump on the value of the Australian currency. After

averaging around A\$1.43

against its US counterpart for 1992-93, the Australian dollar was trading in late October at A\$1.50 against the US dollar. While this devaluation is causing problems in some areas of the economy, it has

been a handy cushion for Australism mining company earn-ings. Although performances were mixed, and often marred by hefty write-offs, 1992-93 was a year of overall recovery in Australian mining results. But much of it came through costcutting.
Having thus battled hard to

weather the commodity recession, Australian mining companies moved towards 1994 facing another challenge. The industry is in the thick of the controversy over native title brought on by the High Court decision in mid-1992 in the so-called Mabo case.

As a major user of non-urban regions, the mining industry stands to be heavily affected by Mabo, which could give

Australia's Aboriginal people title to large tracts of land. Confusion ruled late in 1993 on the likely full effects of the Mabo decision as Federal and State governments moved to

pass competing legislation. The main fallout for the min ing industry is a new wave of uncertainty on access to exploration and extractive sites. Some companies have reacted by taking a hard line, few harder than the CRA subsidlary, Comalco. Late in 1993, the company threatened to ditch almost A\$2bn worth of expansion if an Aboriginal claim over its bauxite leases as Weipa in northern Queensland

was not quickly settled. The immediate impasse was resolved through Federal Government intervention to validate Comalco's leases. But the piecemeal nature of the resolution to what is a pervasive national problem has given mining companies little rea

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■ SATELLITE TELEVISION

The picture is rather cloudy

subscription television remains murky as the government desperately tries to clear the mess created by its bungled bidding process for the licences for sat-

ellite-delivered services. In April this year, the gov-ernment awarded the rights to two licences to industry dark horses. Bidding was strictly on a highest-price basis, and the two newcomers defeated the race favourite, the powerful consortium led by Rupert Murdoch, the media baron, Kerry

Packer, and Telecom. The winning bidders were UCOM Pty, which offered A\$177m (\$120m), and HI Vision, which tendered A\$212m (\$144m). Australia's subscription television policy allows for three satellite-delivered ser-vices. The two licences are for four-channel operations. The

The government is trying to clear up the mess of its bungled bid process

third licence has been reserved for the national Australian

Broadcasting Corporation.

The media industry gasped at the very high prices offered by the winners. Speculation had the rich Murdoch-Packer consortium and the US Conti-nental Cable group offering less than A\$100m each. The government, on the other hand, immediately realised the folly of its decision and that it had been out-loxed by two

industry upstarts.

The two winners had gut up unrealistic and purely speculative bids to guarantee that they got the winning spots. They have also put in cascading bids so that they remained in the game as the licences were re-awarded to the "next highest bldders".

To contain its embarrassment, the government quickly revised the bidding rules. It required the next highest bidders to pay a non-refundable five per cent deposit within three days of winning. The patch-up job was obviously amateur and calls for the head of Senator Bob Collins, the communications minister, grew louder. Only the intervenPaul Keating, saved the day for the beleaguered minister.

As expected, the two winners failed to produce the cash for their original bids. Bidding cascaded and in August, after six rounds of failed bids from the same parties, UCOM paid a five per cent deposit on a price of A\$97m for the first licence. A\$80m less than its original tender. A company associated with UCOM, New World Tele deposit for Hi Vision's bid of A\$117m, A\$95m less than the original figure.

The deposits should have

provided some relief to the gov-ernment. However, they have raised yet another problem. that of media cross-ownership. The Trade Practices Commission, the competition watchdog, is now examining whether UCOM, having paid for HI-VIsion's deposit, has breached competition laws. Under the government's subscription television policy, a company that have no more than two per

holding the other licence. Mr Albert Hadid, the controlling shareholder of the UCOM group, said that UCOM's cross-ownership of the two licences would be within the law. He promised that Australia's first subscription television would start operating by July next year. Mr Hadid has the finan-cial backing of the Lenfest group, a small Pennsylvania-based cable TV operator.

Meanwhile, the Murdoch Packer-Telecom group has abandoned all interest in satellite-delivered services. It is now putting up plans for an alternative cable network for limited residential markets.

The government had previsatellite subscription television. It has argued that cable and microwave delivered services would not provide a national coverage. But with the satellite service merely crawling into reality, the government seems prepared to review the merits of other methods of delivering subscrip-

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